Bond University

DOCTORAL THESIS

Determinants of corporate governance practice and disclosure by corporations in Indonesia and Malaysia.

Mulyadi, Martin Surya

Award date:
2018

Determinants of corporate governance practice and disclosure by corporations in Indonesia and Malaysia

Martin Surya Mulyadi

Submitted in total fulfilment of the requirements of the degree of

Doctor of Philosophy

December 2017

Bond Business School

Professor Keitha Dunstan and Doctor Tamara Zunker

Abstract

This thesis investigates the cross-sectional variation in the corporate governance practices and disclosures of corporations in Indonesia and Malaysia as documented in their annual reports and on the World Wide Web (WWW). Furthermore, it examines the impact of three institutional isomorphisms (coercive, mimetic, and normative) at the micro, meso, and macro level on corporate governance practices and disclosures by corporations in these two countries.

Indonesia and Malaysia have different colonisation histories. Most notably, the nations had dissimilar paths to independence and distinctly different political climates since then. These contrasts may contribute to the disparate levels of corporate governance practices and disclosures in the two countries. A 2014 ADB report (ADB, 2014) has put Indonesia among the worst performers of corporate governance practices and disclosures in the Southeast Asia, and Malaysia among the best.

This thesis uses an institutional theory lens to analyse these corporate governance practices and disclosures. According to institutional theory, the institutionalised corporate form may be explained through institutional isomorphism at three institutional determinant levels (Beattie, 2014; DiMaggio & Powell, 1983, 1991; Oliver, 1997). Therefore, this thesis analyses whether coercive, mimetic, and normative isomorphism at the micro, meso, and macro levels are associated with corporate governance practices and disclosures by corporations in Indonesia and Malaysia.

The quality of the corporate governance practices of Indonesian corporations is found to be poorer than those of Malaysian corporations. However, the extent of corporate governance disclosures of Indonesian corporations both in their annual reports and on the WWW is very similar to that of Malaysian corporations. Furthermore, this thesis documents that the WWW is used as a complementary disclosure channel to the annual reports. Findings reveal that institutional isomorphisms at three levels are associated with the corporate governance practices of corporations in both countries. Significantly, institutional isomorphism at the micro level is only associated with corporate governance disclosures by Indonesian corporations in their annual reports. Furthermore, institutional isomorphisms at the meso and macro levels influence corporate governance disclosures in both the annual reports and on the WWW by corporations in both Indonesia and Malaysia.

It is concluded that institutional isomorphism at all three levels, micro, meso, and macro, is influential on corporate governance practice and disclosure improvements. This thesis provides empirical evidence on how coercive isomorphism, mimetic isomorphism, and normative isomorphism at the micro, meso, and macro levels influence corporate governance practices and disclosures. For example, improvement in corporate governance practices and disclosures by corporations in Indonesia as a consequence of the new Indonesian administration's reform agenda is traced and illustrated. This thesis shows that foreign-educated directors in Indonesian corporations are asserting best international practice to improve the corporate governance disclosures of Indonesian corporations.

Overall, the findings of this thesis suggest that regulators in the two countries should continue to encourage corporations to use the WWW for corporate governance disclosure. In addition, this thesis also proposes that both corporations and regulators need to recognise the importance of micro, meso, and macro level influences on corporate governance practices and disclosures.

Keywords: corporate governance, corporate governance practices, corporate governance disclosures, institutional isomorphism, coercive isomorphism, mimetic isomorphism, normative isomorphism, micro level, meso level, macro level

Declaration by author

This thesis is submitted to Bond University in fulfillment of the requirements of the degree of Doctor of Philosophy.

This thesis represents my own original work towards this research degree and contains no material that has previously been submitted for a degree or diploma at this University or any other institution, except where due acknowledgment is made.

Martin Surya Mulyadi

Research outputs and publications during candidature

Peer-reviewed publication

Mulyadi, M. S. (2017). Do corporate webs substitute annual reports for corporate governance disclosures in large Indonesian family corporations? *International Journal of Web Based Communities, 13*(3), 311-320. doi: 10.1504/IJWBC.2017.10004119. (*ABDC B-ranked*).

Conference paper

Mulyadi, M. S. (2017). Corporate governance disclosures on the World Wide Web in Indonesia and Malaysia. *Global Emerging Scholars Research Workshop, American Accounting Association Annual Meeting, New York, United States of America (6-10th August 2016)*.

Acknowledgements

I wholeheartedly thank Jesus Christ for His blessings throughout my life and for giving me the strength and vision for making this work possible.

I would like to thank my principal supervisor, Prof. Keitha Dunstan, and my second supervisor, Dr. Tamara Zunker, for the support, encouragement, motivation, and advice they have provided. Despite what some have previously said about PhD research, under your supervision I learned that it is a stress-free and a very enjoyable journey.

I gratefully acknowledge the financial support from Bond University for providing the full tuition fee waiver during my entire PhD program. I also gratefully acknowledge the financial support from the Ministry of Research, Technology, and Higher Education of the Republic of Indonesia for providing a stipend for these three years.

Last, but not least, I would like to express my deepest gratitude to my wife, Yunita Anwar. Thank you for taking your PhD journey together with mine, while at the same time we had to raise and take care of our daughter. I know it is not an easy task to complete our PhDs while giving excellent care for Jacqueline, especially as she was still a little baby when she joined us in Brisbane. But we managed this very well. She is growing remarkably, I have completed this thesis, and you will also submit yours very soon. I am forever grateful for our three years' wonderful journey in Brisbane.

Table of Contents

List of tables

List of figures

List of abbreviations

Abbreviation	Meaning
ADB	Asian Development Bank
AGM	Annual General Meeting
ASEAN	Association of Southeast Asian Nations
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
G20	Group of Twenty
GCG	Good Corporate Governance
GDP	Gross Domestic Product
GLOBE	Global Leadership and Organizational Behavior Effectiveness
GMS	General Meeting of Shareholders
IFDI	Inward Foreign Direct Investment
IMF	International Monetary Fund
ISAR	International Standards of Accounting and Reporting
NYSE	New York Stock Exchange
OECD	The Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
S&P	Standard & Poor's
SEC	Securities and Exchange Commission
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USD	US Dollars
VOC	*Vereenigde Oost-Indische Compagnie*
WGI	Worldwide Governance Indicators
WWW	World Wide Web

Chapter 1 Introduction

This thesis investigates the cross-sectional variation of the corporate governance practices and disclosures of Indonesian and Malaysian corporations in their annual reports and on the World Wide Web (WWW). The 1990s Asian financial crisis was the trigger for significant governance reform in Asia. The primary causes of the crisis have been attributed to poor corporate governance practices together with many institutional and policy weaknesses in Asia, including Southeast Asia (Das, 2001; Globerman, Peng, & Shapiro, 2011; Johnson, Boone, Breach, & Friedman, 2000). At that time, Asian corporations were strongly criticised for their low-quality disclosure practices, lack of transparency and inferior board practices (ADB, 2014; OECD, 2014). Following the financial crisis, there have been improvements in Asian corporate governance practices (Claessens & Yurtoglu, 2013; Sawicki, 2009). Most Asian countries adopted codes of corporate governance practice which have been adapted from OECD-prescribed corporate governance principles and/or best practices in other countries (mostly following an Anglo-Saxon corporate governance model).

This thesis focuses on the largest listed corporations in Indonesia and Malaysia. They are close neighboring countries, both having historically attracted European interest. Europeans first arrived in the regions which are now Indonesia and Malaysia only for trading purposes but later colonised them. Both nations have experienced quite different influences during their colonisation periods, including different colonising countries and approaches, different education and legal systems, different modes of cultural assimilation, different paths to independence, and different political ideologies post-independence. Armed conflict between them existed for a brief period following Malaysia’s independence, with the relationship improving and stabilising after a new administration gained power in Indonesia in 1965. Both countries achieved constant economic growth from the time of independency until the 1997 Asian financial crisis.

The crisis led to both countries developing formal Codes of Corporate Governance which were introduced for the first time in 2000 (Alnasser, 2012; Daniel, 2003). Prior research documents similar business practices in the two states, for example, extensive family ownership and significant government ownership, (Chen, Li, & Shapiro, 2011; Globerman et al., 2011). However, different colonisation histories have led to diverse patterns of economic growth, legal systems, and political climates in both countries after independence.

This may have contributed to disparate levels of corporate governance practices and disclosures in Indonesia and Malaysia. A 2014 report shows that Indonesia is among the poorest performers in corporate governance practices and disclosures in Southeast Asia and Malaysia is one of the best (ADB, 2014). The comparison of corporate governance practices and disclosures of these two countries provided in this thesis documents how institutional changes influence such practices and disclosures in Indonesia and Malaysia.

This thesis applies institutional theory to analyse the institutional pressures in both nations. It provides an analysis of the impact of coercive isomorphism, mimetic isomorphism, and normative isomorphism at the micro, meso, and macro levels on corporate governance practices and disclosures. At the micro level, the impact of the international board on corporate governance practices and disclosures is analysed. Prior studies using Hofstede's cultural dimensions (Hofstede, 1980) and Gray's secrecy hypotheses (Gray, 1988) have found that the macro level culture has a significant impact on corporate practices. In contrast, Hambrick and Mason (1984) and Merchant, Chow, and Wu (1995) argue that the culture of influential individuals in a corporation has a greater impact than macro level culture. Using the foreign education of the board as a measure for culture at the micro level, this thesis investigates whether institutional isomorphism at the micro level determines corporate governance practices and disclosures. At the meso level, the impact of specific corporate characteristics on corporate governance practices and disclosures is explored and analysed. Finally, at the macro level, this research examines whether institutional changes at the country level have any significant impact on corporate governance practices and disclosures.

This study finds that the quality of corporate governance practices of Indonesian corporations is poorer than those of Malaysian corporations with most Indonesian corporations not following recommended corporate governance practice. This finding indicates that regulators in Indonesia must actively educate Indonesian corporations on the importance of corporate governance. This study also finds that not all corporations in Indonesia and Malaysia follow all of the mandatory disclosures required by the regulations. Therefore, regulators in both countries need to strengthen their enforcement to ensure all corporations follow all the requirements. Another finding of this thesis also suggests regulators in both countries to encourage all corporations to use the WWW for corporate governance disclosures, as the usage of the WWW for corporate governance disclosures is still minimal.

Finally, this thesis finds that institutional pressures, at all levels, influence corporate governance practices and disclosures. Thus, corporations and regulators need to recognise the importance of micro, meso, and macro level influences on corporate governance practices and disclosures. The findings suggest that other developing countries facing similar issues in corporate governance should also pay attention to these institutional pressures to improve their corporate governance practices and disclosures. Previous research studies on corporate governance more generally and on corporate governance disclosures specifically are discussed in the following section.

1.1. Corporate governance and corporate governance disclosures

A commonly accepted broad definition of corporate governance is “the system by which companies are directed and controlled” (Cadbury, 1992, p. 15). Researchers have documented that the implementation of good corporate governance practices provides many benefits to corporations, such as the reduction of accounting fraud (Balachandran & Faff, 2015), higher stock liquidity (Chung, Elder, & Kim, 2010), higher corporate valuation (Durnev & Kim, 2005), reduction in corporate risk taking (Jiraporn, Chatjuthamard, Tong, & Kim, 2015; Zagorchev & Gao, 2015), reduction in likelihood of financial distress (Miglani, Ahmed, & Henry, 2015), and higher return on assets (Munisi & Randøy, 2013).

According to the general guidelines on corporate governance issued by the OECD (OECD, 1999, 2004, 2015), corporate governance information should be disclosed through various media channels that provide equal, timely and cost-efficient access to relevant information by users. Increases in information disclosure about corporate governance improve the monitoring abilities of shareholders and corporate boards. Furthermore, improved corporate disclosure has been found to also be associated with increased share value and liquidity, decreased share volatility, increased credibility, decreased cost of capital, better governance, decreased information asymmetry, decreased agency costs, financial scandal avoidance and financial stability improvement (Beyer, Cohen, Lys, & Walther, 2010; Eccles & Mavrinac, 1995; Farvaque, Refait-Alexandre, & Saïdane, 2011; Healy, Hutton, & Palepu, 1999; Healy & Palepu, 2001; Kothari, 2000).

There have been several specific studies of corporate governance disclosures in Asia. In describing those made in the annual reports of companies from Indonesia and Nepal, Darmadi (2013) and Sharma (2014) find that such corporations provide a low level of corporate governance information within the reports. However, their findings cannot be generalised for all Indonesian and Nepalese corporations because they only use a small sample of banking and financial corporations.

Studies on corporate governance WWW disclosures have been conducted by Gandía (2008), Yabing Jiang, Raghupathi, and Raghupathi (2009), Samaha, Dahawy, Hussainey, and Stapleton (2012) and Stewart, Asha, Shulman, Ng, and Subramaniam (2012). These studies provide evidence that corporations find the WWW to be a useful channel for communication with stakeholders. While some of these studies only describe the corporate governance disclosure practices, others examine the determinants of those practices. The examination of determinants in these prior studies has been limited to a focus on the impact of specific corporation characteristics (for example corporate size, profitability, and leverage) and corporate governance characteristics (for example size of the board and CEO-chairman duality) on corporate governance disclosures.

This thesis applies institutional theory to explain the corporate governance practices and disclosures in Indonesia and Malaysia. The comparison between the Indonesian and Malaysian contexts is useful as the countries share both commonalities and differences in their history, culture and corporate structures. This theory posits that corporate practices, in this case including corporate governance and its disclosures, are influenced by the institutions in which corporations operate (Brammer, Jackson, & Matten, 2012). Typical of institutional theory is the position of Oliver (1997) who contends that corporations operate within norms and values that are appropriate or acceptable in a particular institution. Therefore, the institutional theory can be used to explain any disparity in corporate governance disclosure practices between these two countries. According to DiMaggio and Powell (1983), institutional isomorphism is the process of institutional homogenisation within the same environmental conditions. This can be categorised into three different kinds. This thesis explores the impact of these different institutional isomorphisms at the various institutional levels. A comparison is made between the two countries using the conceptual frame of the three forms of isomorphism at the three conceptual orders of its extent: the micro, macro and meso levels.

First, this thesis considers whether coercive isomorphism at the macro level, derived from coercive authority and cultural expectations, determines corporate governance practices and disclosures in Indonesia and Malaysia. The new administration and policy in Indonesia since 2014 may explain the differences in corporate governance practice and disclosure by corporations in both countries.

Second, this thesis examines the impact that mimetic isomorphism, derived from imitating other corporate practices, operating at the meso level, has on corporate governance practices and disclosures. Specifically, this is due to family and government ownership and corporate size. This approach is consistent with prior studies (Al-Akra & Hutchinson, 2013; Ali, Chen, & Radhakrishnan, 2007; Eng & Mak, 2003; S. S. M. Ho & Wong, 2001; Samaha et al., 2012), which have documented how these ownership characteristics and corporate size are significant determinants of corporate practices.

Third, this thesis explores the effect of normative isomorphism, which involves normative pressures from professionals and exists at all three institutional levels. At the micro level, this research analyses the impact of an international board of directors on corporate governance practices and disclosures, using a foreign-educated board as a measure of culture at this level. While several researchers have found an association between the macro level culture of countries and corporate disclosures (Aguilera & Jackson, 2010; Minichilli, Zattoni, Nielsen, & Huse, 2012; Van Veen & Elbertsen, 2008), it has also been suggested that culture plays a role at the micro level where the culture of influential individuals is important to a corporation (Aguilera & Jackson, 2010; Geletkanycz, 1997; Hambrick & Mason, 1984; Merchant et al., 1995; Minichilli et al., 2012; Van Veen & Elbertsen, 2008). At the meso level, the good quality of corporate governance mechanisms provides normative pressure on corporate practices. This aspect is also examined in this thesis. Finally, at the macro level, the differing board structures in the two countries (dual boards in Indonesia and a single board in Malaysia) also provide normative pressure on the corporations, which, in turn, influences corporate governance practices and disclosures. The impact of these disparate board structures is investigated in this thesis.

1.2. Research objectives and contributions

The first objective of this research is to document the corporate governance practices and disclosures in Indonesia and Malaysia. The second objective is to examine whether coercive isomorphism, mimetic isomorphism, and normative isomorphism at the micro, meso, and macro levels are influential on corporate governance practices and disclosures in Indonesia and Malaysia. In doing so, the research relies on institutional theory to explain these isomorphisms within a conceptual framework.

Through the lens of institutional theory, this thesis contributes to the understanding of the corporate governance practices and disclosures in Indonesia and Malaysia, where there is a lack of research in this area compared to developed countries. This thesis also highlights any differences between corporate governance disclosures in annual company reports and on the WWW in Indonesia and Malaysia.

While prior research on the impact of culture has concentrated on the macro level, this thesis also investigates the importance of culture at the micro level through the proxy of foreign-educated directors, investigating whether this factor influences the corporate governance practices and disclosures of Indonesian and Malaysian corporations. Thus culture is conceived of as a construct influenced by the cultural context of the directors' education. As foreign directors become more common, this research offers a contemporary perspective.

1.3. Thesis structure

This thesis is organised as follows. The following chapter sketches the institutional and historical background to Indonesia and Malaysia. The purpose Chapter 2 is to illustrate the different colonisation histories and corporate governance development histories in Indonesia and Malaysia. The chapter commences with illustration of political history and economic history of Indonesia and Malaysia. This is followed by corporate governance development in both countries. Chapter 2 concludes with a summary of the differences between the two countries and how the updated corporate governance-related regulations in Indonesia, as a result of the new administration, may assist Indonesia's economy to perform better.

Despite the limited research in corporate governance practices and disclosures in Indonesia and Malaysia, there is a large body of related literature investigating international corporate governance development and disclosures. This thesis considers studies of corporate governance development, corporate disclosures and corporate governance disclosures – both in the annual reports and on the WWW. These literatures are reviewed in Chapter 3. This chapter also discusses the UNCTAD corporate governance disclosure benchmark which is used to measure the extent of corporate governance disclosures in this thesis. Furthermore, this chapter provides discussion of the corporate governance disclosure regulation in Indonesia and Malaysia. Chapter 3 concludes with a summary of the differences between the corporate governance model in Indonesia and Malaysia and the differences between their corporate governance disclosure requirements.

Chapter 4 surveys prior research relevant to corporate governance practices and disclosures. Chapter 4 also develops hypotheses regarding the determinants of corporate governance practices and disclosures. Micro, meso, and macro level explanations are proposed within an institutional framework. The hypothesis at the micro level is based on the institutional isomorphism exercised by influential individuals in a corporation. Hypotheses at the meso level are based on the institutional pressures from other corporations. Furthermore, the hypothesis at the macro level is based on the institutional pressures from the government and different structures in Indonesia and Malaysia. Chapter 4 also discusses the control variables used in this thesis.

The research design, sample selection criteria, mode of data collection, specifications for the variables and the testing procedures are outlined in Chapter 5.

Chapter 6 provides the results and analysis of all research models to find the determinants of corporate governance practice and disclosures in Indonesia and Malaysia. These results provide support for the hypotheses that institutional isomorphisms at micro, meso, and macro level are important determinants of the corporate governance practices and disclosures in Indonesia and Malaysia.

This thesis concludes in Chapter 7 with a discussion of the contribution and limitations of this thesis as well as possible directions for future research.

Chapter 2 Institutional Background

2.1. Introduction

Indonesia and Malaysia are countries located in Southeast Asia and share some commonalities and differences in their history, culture and corporate structures. Both regions attracted Europeans to populate the countries which were invaded solely for trading purposes. Before colonisation, the sultanates within what is now Indonesia actively traded with those in Malaysia. However, after the Dutch came, these trading activities were stopped as the main objective of the Dutch was to monopolise Indonesian trade. Both countries were subject to Dutch and British interests respectively, until these European nations, representing their corporate interests, agreed to a compromise in the Treaty of London in 1824. It was then that they decided that the Dutch would colonise Indonesia and that the British would colonise Malaysia. This treaty also decided that the Dutch and the British would not invade each other's colonies. A clear dividing line between the borders of Indonesia and Malaysia was drawn and this formed the basis for the current boundary between them.

Apart from Indonesia and Malaysia being closely related geographically, both countries also share similarities culturally. During the mid to late nineteenth century, many migrants from Indonesia were regarded as Malays due to their similar socio-religious roots. Furthermore, the official language of both countries is similar, with the Indonesian language being a modernised form of Malay.

However, some key differences exist regarding culture and education. During colonisation, a limited proportion of the Indonesian population was able to attend the Dutch schools, and a few of the Malaysians were able to attend the British ones. The differences between Dutch schooling (including its tertiary education in the Netherlands) and British schooling (including its tertiary education in Britain) may have had an impact on current business practices in both countries. Furthermore, previous literature (Hooker, 2003) has documented that while most of the Malaysian immigrants to Indonesia were unified culturally with the Indonesian locals, cultural assimilation and intermarriage was comparatively rare in Malaysia. Additionally, other languages (i.e. English, Chinese, and Tamil) are commonly used in Malaysia while in Indonesia Bahasa Indonesia is the main official language, with numerous local dialects also spoken.

Both countries have had different paths to independence. Indonesia achieved its independence in 1945 after the Japanese surrendered in the Pacific War. However, it took four more years of war and negotiation before the Dutch finally transferred sovereignty to Indonesia. In Malaysia, the process to achieve independence was rather peaceful, with the British agreeing to hand over Malaysian independence in 1957. The Indonesian government at the time regarded Malaysian independence as a neo-colonialist plot and therefore decided to attack Malaysia. Indonesia halted all trading with Malaysia as well as other Western countries due to its anti-colonialist ideology (C. Brown, 2003; Liow, 2005). In contrast, at that point, Malaysian foreign policy was strongly inclined to the West due to its relationships with the British and the Commonwealth. The peace agreement between Indonesia and Malaysia in 1966 was signed after Indonesia's new administration took office. The new government also resumed trading with Malaysia and other countries, including the West. Following this period, both countries experienced healthy economic growth until the 1997 Asian financial crisis (Basri & Hill, 2008).

The 1997 Asian financial crisis significantly affected both countries, with Indonesia requiring financial aid from the IMF. Indonesia was among the worst countries impacted by the crisis and the last to recover. The commitment to the International Monetary Fund urged Indonesia to increased awareness of corporate governance. In 2000, they issued the first, which has been amended several times since. Meanwhile, Malaysia did not receive any financial aid but understood the importance of corporate governance and also issued its first code in 2000, also since amended several times (Alnasser, 2012; Singam, 2003).

This chapter aims to discuss the development of both countries in several periods as depicted in the following timelines. The first two figures depict the political history in Indonesia and Malaysia, and the next two illustrate the economic history in these two countries. Both periods of colonisation are discussed in the following section.

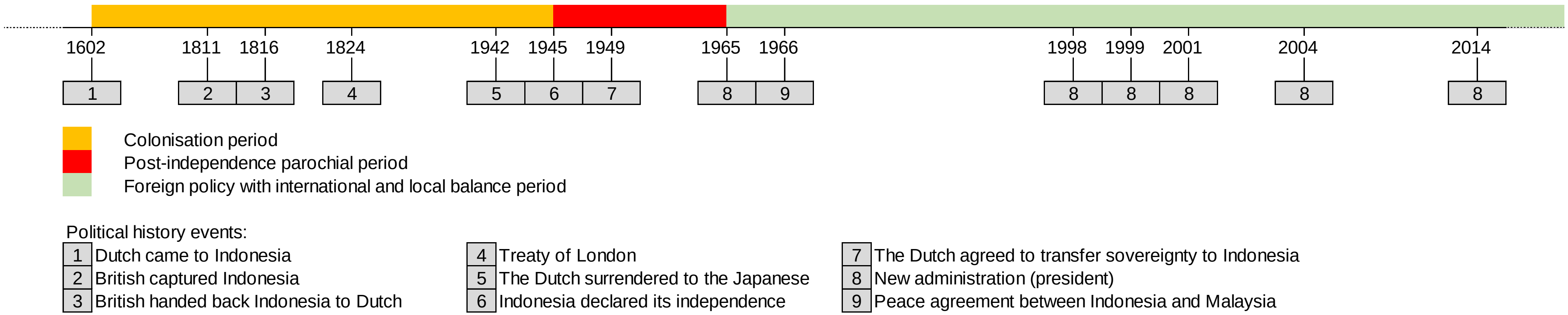


Figure 2.1. The political history of Indonesia.

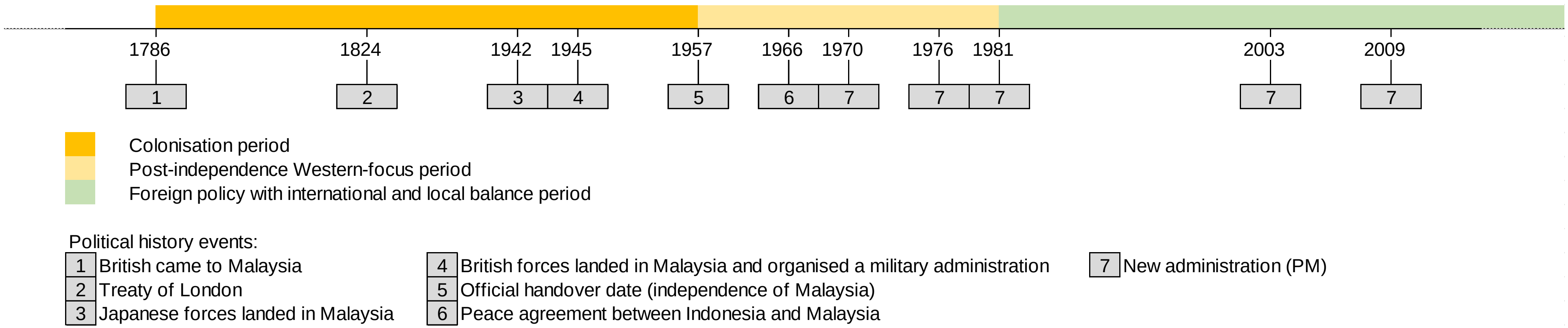
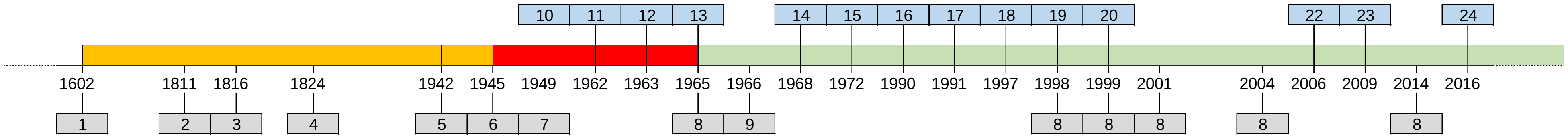


Figure 2.2. The political history of Malaysia.



Colonisation period
Post-independence parochial period
Foreign policy with international and local balance period

Political history events:

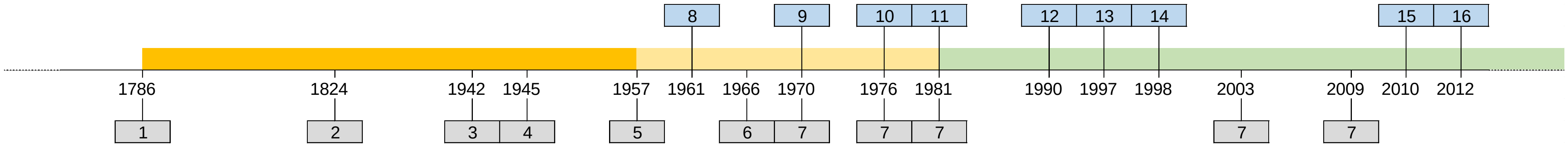
1 Dutch came to Indonesia
2 British captured Indonesia
3 British handed back Indonesia to Dutch
4 Treaty of London
5 The Dutch surrendered to the Japanese
6 Indonesia declared its independence
7 The Dutch agreed to transfer sovereignty to Indonesia
8 New administration (president)
9 Peace agreement between Indonesia and Malaysia

Economic history events:

10 Trading suspension with Western countries
11 Period of GDP growth less than 3% (1962 to 1967)
12 Trading suspension with Malaysia
13 New administration opened trading with foreign countries
14 Period of good GDP growth (1968 to 1984), mostly with more than 7% growth each year
15 GDP hits USD 10 bn*
16 GDP hits USD 100 bn*
17 IFDI stock hits USD 10 bn**
18 Asian financial crisis
19 Negative GDP growth*
20 GDP growth less than 1%*
21 GDP hits USD 300 bn*
22 IFDI stock Indonesia surpassed Malaysia**
23 IFDI stock hits USD 100 bn**
24 Market capitalisation of Indonesian listed domestic companies surpassed Malaysia

Figure 2.3. The economic history of Indonesia.

Note: * Gross Domestic Product based on The World Bank Data in current USD (for more details, please see Figure 2.5, 2.6, and 2.7).
** Inward Foreign Direct Investment stock based on UNCTAD Data in current USD (for more details, please see Figure 2.19).



Colonisation period
Post-independence Western-focus period
Foreign policy with international and local balance period

Political history events:

1	British came to Malaysia
2	Treaty of London
3	Japanese forces landed in Malaysia
4	British forces landed in Malaysia and organised a military administration
5	Official handover date (independence of Malaysia)
6	Peace agreement between Indonesia and Malaysia
7	New administration (PM)

Economic history events:

8	Period of good GDP growth (1961 to 1984), mostly with more than 7% growth each year
9	The New Economic Policy
10	GDP hits USD 10 bn*
11	'Malaysia is able' slogan
12	The National Development Policy; IFDI stock hits USD 10 bn**
13	Asian financial crisis
14	Negative GDP growth*
15	GDP hits USD 300 bn*
16	IFDI stock hits USD 100 bn**

Figure 2.4. The economic history of Malaysia.
Note: * Gross Domestic Product based on The World Bank Data in current USD (for more details, please see Figure 2.5, 2.6, and 2.7).
** Inward Foreign Direct Investment stock based on UNCTAD Data in current USD (for more details, please see Figure 2.19).

2.2. Colonisation period

Pre-colonisation trade networks connected Indonesia to the world, including Malaysia, even though the sultanates in Malaysia did not collectively comprise Indonesia's major trading partner. The arrival of the Dutch cut off the Indonesians' trade networks and regular contacts with the outside Indonesia due to the Dutch intention to monopolise trade (Liow, 2005; Maddison, 1989; Sukoharsono & Gaffikin, 1993). Colonisation history and the education and culture of migrants during colonisation are discussed in the following sections.

2.2.1. Colonisation history in Indonesia

The Dutch initially came to Indonesia in 1602 solely concerned with trade under a trading company named the *Vereenigde Oost-Indische Compagnie* (VOC) later becoming a regional administrator by force (C. Brown, 2003). Following the collapse of the VOC in 1799, resulting from the Fourth Anglo-Dutch War, the Dutch government took over administration in Indonesia. In 1806, the Netherlands fell to Napoleon Bonaparte. This event changed colonisation practices in Indonesia as the appointed Governor-General of Indonesia wanted to modernise the colonial administration and eliminate forced labour and forced deliveries (C. Brown, 2003). During the short period of 1811 to 1816, the British took over part of Indonesia and followed the same general principles as the Dutch Governor-General: the abolition of forced labour and forced deliveries. However, as a result of the ending of the Napoleonic wars and the reassertion of Dutch independence, in 1816, the British handed back to the Netherlands the territory they had briefly controlled in Indonesia. Furthermore, in 1824 Britain and the Netherlands negotiated the Treaty of London. This treaty drew a clear dividing line between the interests of the British and the Dutch in Southeast Asia. As a result of this treaty, the Dutch controlled what came to form Indonesia and the British controlled what is now called Malaysia.

As the Dutch regained their power over Indonesia in 1816, the colonialist practices in Indonesia reverted to those of the pre-1806 period. They did not believe they could achieve the greatest net return by eliminating forced labour and forced deliveries. The Dutch surrendered to the Japanese in March 1942. Benda (1966) has documented that the Dutch exercised constant repression which caused damaging psychological wounds to the Indonesian people. However, the Japanese colonisation was much harsher and more restrictive than that of the Dutch. On 15 August 1945, Japan surrendered to the Allies (with the British Commonwealth and Netherlands forming part of this group). The surrender agreement with Japan required them to maintain the political status quo in Indonesia until Allied forces could land and reestablish an administration. Indonesia declared its independence on 17 August 1945 after Indonesia unofficially informed the Japanese and agreed not to intervene. It required four more years of brutal fighting, negotiations, and UN mediation before the Netherlands agreed to transfer sovereignty to Indonesia in 1949 (C. Brown, 2003).

2.2.2. Colonisation history in Malaysia

The British first came to Malaysia in 1786 under the auspices of the British East India Company who took formal possession of Penang in the name of King George III to develop it as a port and as a British base for the company (Hooker, 2003; Yamada, 1971). This was conducted through direct negotiation with local leaders, which was completely different to the process of the Dutch who had taken Indonesia by force. In 1824, Britain and the Netherlands negotiated the Treaty of London, in which a clear dividing line was drawn between the interests of both countries, establishing the basis for the current Indonesia-Malaysia border. This treaty used the Straits of Malacca as a boundary line. During 1786 to 1873, the British used Malaysia as their trade base and the British government refused to accept responsibility for colonial rule in Malaysia (Yamada, 1971). Eventually, in 1874 British colonial rule started, mainly to protect their trading interest in Malaysia from outside intervention. British colonialism in Malaysia is completely different from the Dutch colonialism in Indonesia, the latter being characterised by forced labour and delivery practices for its entire period.

The Japanese landed in Malaysia on 8 December 1941 and took possession of Malaysia from the British. Their administration was even tougher than the Dutch, particularly in terms of their forced labour practices for Japanese projects. The Japanese surrendered on August 1945.

Unlike Indonesia which declared its independence as soon as the Japanese surrendered, the Japanese were able to maintain the political status quo in Malaysia until September when the British forces landed. The British then organised a military administration until April 1946. The civilian government was restored afterward, and in July 1946 Malaysian leaders agreed to work with the British to discuss a constitution for Malaysia.

In 1952, high commissioner General Sir Gerald Templer announced that Malaysia was being prepared for self-government under the condition that they can maintain racial harmony and control communist terrorism (Hooker, 2003). In early 1956, Malaysian leaders held talks with the British to determine a date for their independence and discussed the establishment of a constitutional commission. The British finally agreed to 31 August 1957 as the official handover date in a peaceful independence process without any conflict or violence, unlike the case in Indonesia. The British delivered good infrastructure and an efficient government mechanism for Malaysia, far more than what the Dutch had provided in Indonesia (Menon, 2009; Zeeman, 2012). Yazid (2014) also contends that the better political stability and conditions in Malaysia are influenced by the peaceful separation from the British and the existence of a dominant pro-West political group.

2.2.3. Education and culture of migrants during colonisation in Indonesia

The majority of schools in Indonesia during colonisation used either Bahasa Indonesia or the local language, not Dutch. Bahasa Indonesia, the official language of Indonesia, is a modernised form of Malay. Only a slight number of Indonesian children, mostly Christians or those from wealthy families, were permitted to attend Dutch language primary schools, which opened up the possibility of their entering Dutch language secondary schools and universities either in the Netherlands or Indonesia (C. Brown, 2003).

There was some cultural osmosis between Indonesian culture and Dutch culture as it was common for Dutch men to take Indonesians as their mistresses or wives in the 1700s. However, in the 1800s the Dutch who came to Indonesia usually brought their families. They saw Indonesia as a place to make money and then return home. Thus, there was little cultural mingling during this period as the Dutch had no intention of residing in Indonesia in the long-term and not interested in learning about the Indonesian culture (C. Brown, 2003).

Similar to the Dutch migrants, the first Chinese migrants were also strongly acculturated with Indonesia as the majority of early Chinese migrants were male. By the beginning of the 20th century, there was a gender balance in the Chinese, so Chinese tended to form their own community and tended to marry exclusively within it. The result was that the majority of ethnic Chinese in Indonesia developed a distinctive local culture. The census conducted by the Dutch in 1930 showed that around 66 percent of ethnic Chinese in Indonesia spoke no Chinese language at all.

2.2.4. Education and culture of migrants during colonisation in Malaysia

In contrast to Indonesia, minimal scholarships were offered to exceptional commoners in Malaysia to attend the elite British schools (Hooker, 2003). However, most of the students in these schools came from affluent families. Graduates from these were able to continue their tertiary education in Britain, where many of them became Anglicised and lost contact with their Malaysian culture. They returned to Malaysia to work as civil servants, business people, and politicians.

Chinese and Indians migrated to Malaysia during the mid-to-late 19th century. During the same period, there were also many migrants from Indonesia. However, because the socio-religious organisations of Indonesian migrants were recognisably similar with those of Malays, they were regarded as Malays. Unlike Indonesia where cultural assimilation of migrants is quite common, this is not the case in Malaysia. Intermarriage and cultural assimilation was comparatively rare, which may be explained by the geographical spread of migrant residences (Hooker, 2003). Furthermore, as Hooker (2003) stated, religious and cultural barriers to intermarriage are an accepted practice in Malaysia and became the basis for its modern pluralised society. Even though the official language of Malaysia is Malay, other languages (for example English, Chinese, and Tamil) are commonly used.

2.3. Post-independence parochial period

Prior to the Dutch transfer it sovereignty to Indonesia in 1949, the businesses in Indonesia were heavily dominated by Dutch-owned companies. The first administration was anti-colonialist and anti-Western. With its main aim of restoring national identity, Indonesia decided to nationalise these companies despite the absence of a clear strategic vision about how to move forward (C. Brown, 2003; Verhezen & Abeng, 2016). Indonesia suspended all trading to Western countries and with Malaysia after late 1963, as the administration deemed Malaysia to be neo-colonialist (Dick, 2016). These events led to severe economic decline and inflation during the first administration. The relationship between Indonesia and Malaysia deteriorated following Malaysian independence. The Indonesian political and military elite at that time believed that true Malaysian independence would never be granted. Furthermore, Malaysia’s foreign policy at that point involved strong relations with Britain and the Commonwealth. This made the Indonesian leadership believe that Malaysia independence was merely a new form of colonialism (Liow, 2005). At that time, the

Indonesian first president used the slogan ‘crush Malaysia’ and sent armed forces to attack it.

2.4. Post-independence Western-focussed period

Foreign companies were heavily dominated by Britain interests in Malaysia at the time of its independence in 1957 (Puthucheary, 1960). Gomez (2004) explains that the Malaysian government was reluctant to control such companies’ dominance as they expected these could resist the emergence of ethnic Chinese businesses in Malaysia. Furthermore, Malaysia’s strong Western focus in its foreign policy at that time contributed to close relations with Britain and the Commonwealth (Liow, 2005). In 1971, Malaysia implemented the New Economic Policy, a positive discriminative policy to help develop Bumiputera (ethnic Malay) businesses and to eradicate poverty. While Indonesia suffered during its post-independence parochial period, Malaysia enjoyed good economic growth during the Malaysian post-independence Western-focussed period, with their GDP growth from 1961 to 1981 exceeding seven percent each year.

2.5. Period of foreign policy with an international and local balance

From 1981 onwards, foreign policy emerged to balance international and local interests. In Malaysia, there has not been much political shift during this later period, indeed since 1981, all Malaysian Prime Ministers have come from the same political party. The 2017 Prime Minister, Najib Razak, assumed office in 2009 and has governed Malaysia for nine consecutive years.

In comparison, Indonesia has experienced a major political shift since 1998. The 1998 Asian Financial Crisis ended 32 years of Soeharto’s authoritarian rule. Following his resignation, the then vice president, B. J. Habibie briefly assumed the presidential role until 1999. During his short tenure, he was able to reform Indonesia towards democracy and oversaw some of its most significant changes post-independence (Pohlman, 2010). Abdurrahman Wahid succeeded B. J. Habibie, but was impeached in 2001 and then replaced by the then vice president Megawati Soekarnoputri. Megawati’s administration led Indonesia to its first direct presidential election in 2004. The Indonesian political landscape is arguably more stable during S. B. Yudhoyono’s era than previous times. He was president for two five-year terms, despite his three predecessors’ relatively short tenures in office.

Even though Indonesia opened up international trading relations following the post-independence parochial period, this has had its ups and downs. As Basri and Hill (2008) state: “there has been a strong anti-globalisation sentiment in the public policy debates since the economic crisis of 1997–98” (p. 1404). Basri and Hill (2010) explain that this sentiment, which dates back to the colonisation period, had worsened during the 1998 Asian financial crisis because of the excessive conditionality in the IMF rescue packages. Despite this sentiment, Basri and Hill (2010) contend that the Indonesian level of regional and global engagement has been rising.

President Joko Widodo, popularly known as Jokowi, succeeded S. B. Yudhoyono in 2014. Previously the mayor of a local district in Central Java from 2005 to 2012, and governor of Jakarta from 2012 to 2014, his background differed from those of his predecessors. Transparency and good governance were recognised as strengths during his tenure in these earlier positions (Fukuoka & Djani, 2016; Muhtadi, 2015; Warburton, 2016). He showed his commitment to transparency and good governance by launching a series of deregulation and de-bureaucratisation policies, particularly designed to attract foreign investment. The improvements in this area, among others, have led to Indonesia’s credit rating being upgraded for the first time to investment grade by the top three credit rating agencies. While Fitch Ratings upgraded it in December 2016, Moody’s and S&P raised it in February 2017 and May 2017 respectively (Y. Ho & Salna, 2016; Salna, 2017; Suroyo, 2017).

The announcement of Jokowi’s nomination as a presidential candidate was made in March 2014, after which polls indicated that he would win (Aspinall & Mietzner, 2014). These proved to be correct. He was officially announced as president-elect in July 2014 and assumed office in October 2014.

2.5.1. Legal system

Indonesia and Malaysia have adopted different legal systems. The basis of private law in Indonesia has been the Dutch Civil Code of 1848. The French heavily influenced the codified laws as a result of French occupancy of the Netherlands during the Napoleonic wars (Juwana et al., 2005; Laiman, Reni, Lengkong, & Ardiyanto, 2015). In Malaysia, most of the British laws were adopted before independence. The application of common law is specified in the Civil Act Law 1956. Malaysian law is also modeled on other jurisdictions’ laws, particularly as a member of the Commonwealth (Ahmad, 2014; Noordin & Supramaniam, 2016). Prior research (La Porta, Lopez de Silanes, Shleifer, & Vishny, 1998) asserts that common law provides the strongest legal protections for investors.

2.5.2. Economic development in Indonesia

On the 11th August 1966, one year following the new administration in Indonesia, a peace agreement between Indonesia and Malaysia was signed. This new government opened up trade relations with the Western countries and Japan, which had been halted by the previous administration's focus on Indonesian national identity and its anti-Western stance even though this led to worse economic conditions (Liow, 2005; Wulandari & Rahman, 2004). Indonesia has been independent longer than Malaysia and with the Malaysian foreign policy strongly inclined to Western countries until 1981, Indonesia is also more culturally independent. Figures 2.1 and 2.2 summarise the history of both countries from the colonisation period until now.

Indonesia's second president governed for over three decades. Although many cited this era as marred by a dictatorial and corrupt government, various domestic and international investors saw this administration provide the security and stability necessary for investor confidence. Contrasting with the first administration this government opened up to Western investment, Western trading and foreign aid which led to economic growth up to 1996 (Cheah & Cheah, 2003; Liow, 2005; Wulandari & Rahman, 2004). Exports of natural resources and primary commodities contributed to such economic growth. This administration ended in May 1998 following the resignation of the second president, who was under public pressure during the Asian financial crisis. Unfortunately, Indonesia was among the last countries to recover and the worst affected in Asia (M. F. Islam, 2001), which was caused by the Indonesian government's inability to keep up with globalisation (Maksum & Bustami, 2013).

Following the second president's resignation, the country started some institutional reform. Many researchers acknowledge the smooth transition from decades of authoritarian rule to democracy (Fukuoka & Thalang, 2014; Kingsbury, 2015) and this reform was one of the key contributors to the Indonesian economy after the Asian financial crisis (Dutu, 2016). Even though inefficient bureaucracy and corruption are still considered the two most problematic factors for investment in Indonesia, a more democratic administration has managed to provide political stability post-1998 (Verhezen, Soebagjo, & Hardjapamekas, 2016).

The current President Jokowi, who assumed office in 2014, has been praised for his concern for infrastructure development, deregulation and de-bureaucratisation (Aspinall & Mietzner, 2014; Muhtadi, 2015; Park, 2016; Warburton, 2016; Yusuf & Sumner, 2015). These policies are designed to cut red tape, attract foreign investment and accelerate infrastructure projects (Warburton, 2016).

Many researchers argue that his agenda arises from his different background compared with predecessors (Aspinall & Mietzner, 2014; Fukuoka & Djani, 2016; Fukuoka & Thalang, 2014; Mietzner, 2015; Muhtadi, 2015; Tapsell, 2015; Warburton, 2016). First, Jokowi is the first Indonesian president who came to office through local politics. According to Aspinall and Mietzner (2014), this would have been impossible during the authoritarian era. Second, he is also the first Indonesian president with prior experience in business (Warburton, 2016). Thus, this may lead to a more market-oriented and open approach to investment and economic development. The current deregulation and de-bureaucratisation policies are argued to have a heavy emphasis on attracting foreign investment and have become the underlying feature of the current administration's economic strategy (Park, 2016). Third, he is also arguably the first president with no ties to old politics nor originating from a political dynasty, whether military or bureaucratic (Fukuoka & Thalang, 2014; Mietzner, 2015). Fukuoka and Djani (2016) and Muhtadi (2015) explain that many researchers believe the post-1998 government to be controlled by oligarchic forces who were part of the old regime. As the current president has no ties to old politics, these oligarchic forces have less control than before.

The current administration aims to reach its 7% economic growth target in 2018 (Crosby, 2016). Analysts also expect that Indonesia will be the seventh largest economy in the world by 2030 (Oberman, Dobbs, Budiman, Thompson, & Rosse, 2012). In purchasing power parity terms, Indonesia is expected to be the fifth largest economy in the world in 2030 and the fourth largest economy in 2050 (Hawksworth & Chan, 2015). The following graphs provide data of the Gross Domestic Product (GDP), GDP per capita and GDP growth of Indonesia and Malaysia.

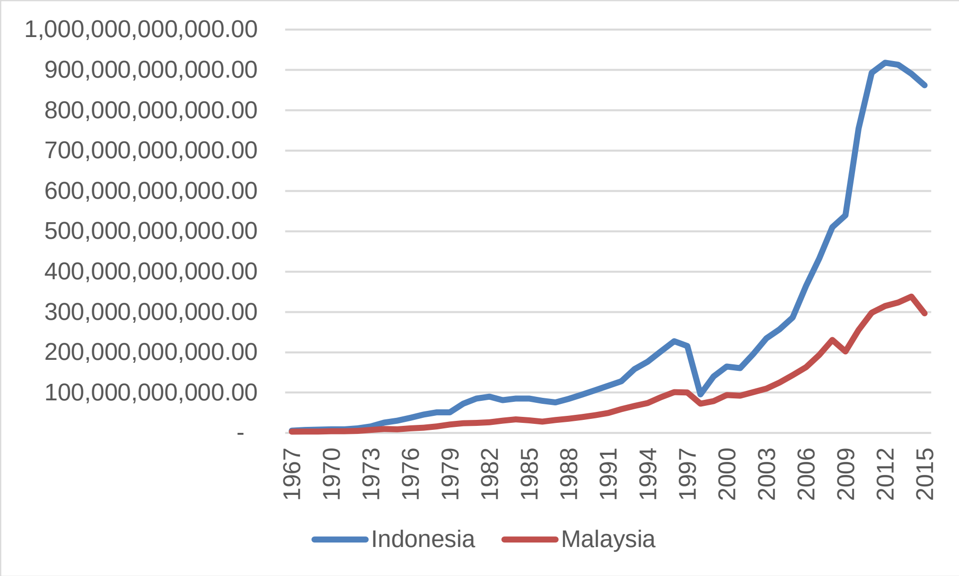


Figure 2.5. Graph of GDP of Indonesia and Malaysia from 1967 to 2015, in current US dollars.
Source: The World Bank, http://data.worldbank.org/indicator/.

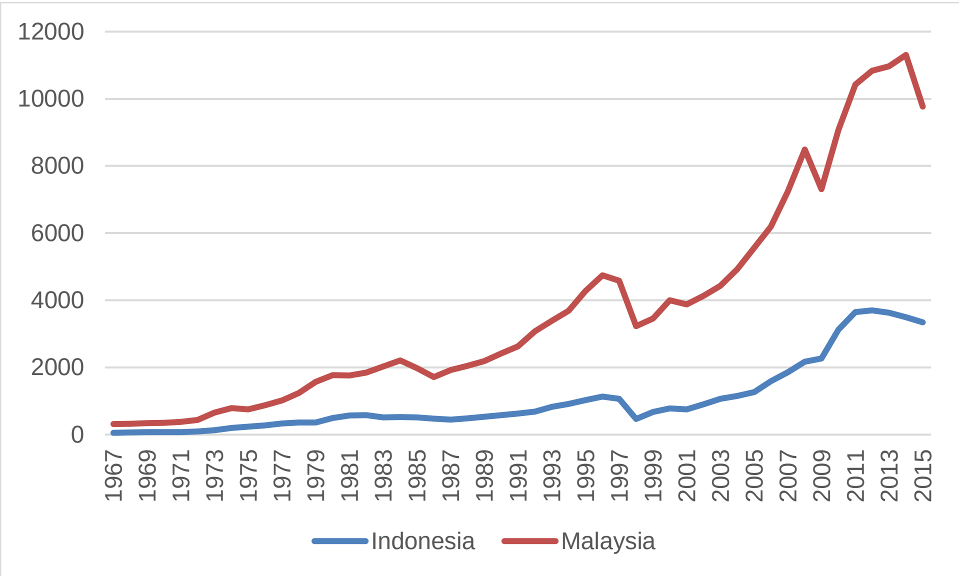


Figure 2.6. Graph of GDP per capita of Indonesia and Malaysia from 1967 to 2015, in current US dollars.
Source: The World Bank, http://data.worldbank.org/indicator/.

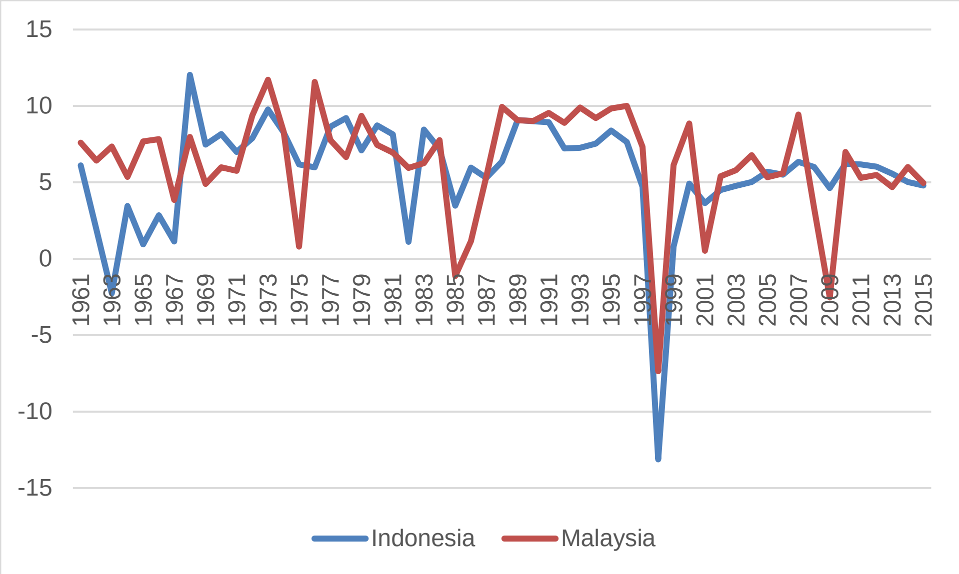


Figure 2.7. Graph of annual GDP growth of Indonesia and Malaysia from 1961 to 2015, in percent. Source: The World Bank, http://data.worldbank.org/indicator/.

2.5.3. Economic development in Malaysia

The New Economic Policy introduced in 1970 was replaced by the National Development Policy in 1990. This policy focused on the creation of wealth for the Bumiputeras (Menon, 2009). During the new administration of Prime Minister Mahathir Mohamad in 1981, which was critical of a pro-West foreign policy, Malaysia adopted a proactive and nationalistic foreign policy to reconstruct Malaysian identity and created the nationalist slogan 'Malaysia is able' (Liow, 2005). This ensured the rapid development of Bumiputera business in Malaysia at that time. The different background of this Prime Minister, who did not attend tertiary education in Britain and was not from the traditional Malay ruling class, contributed to this new foreign policy (Hooker, 2003). Even though this administration adopted a nationalistic foreign policy, it did not close itself to foreign investment or foreign trading (Menon, 2009).

The new government in 1981 also called for an acceleration of Bumiputera business. During this term, the Malaysian stock exchange increased significantly and was the highest market capitalisation to GDP in Southeast Asia and the fifteenth largest in the world (Gomez, 2004). During this period, a lot of huge Bumiputera and a few large non-Bumiputera publicly listed companies emerged which were owned by Malays who had a real connection with the government. However, with the 1997 Asian financial crisis, most of these politically well-connected companies dropped off the list of the largest 100 Malaysian companies.

Similar to other Southeast Asian countries, excluding Singapore, corruption is a problem in Malaysia. The current allegations against the Prime Minister, who is also the son of the second Prime Minister and the nephew of third Prime Minister, may affect the credibility of the government which in turn threatens Malaysian economic growth and goals (Crosby, 2016; Verhezen, Williamson, Soebagjo, & Crosby, 2016). Despite this, in its Vision 2020, Malaysia's target is to be a fully developed country with an 800% increase in its 1990 GDP by that year (Mohamad, 1991).

2.5.4. Trading between Indonesia and Malaysia

Following Indonesia's new administration in 1965, an active foreign economic policy was emphasised as Indonesia quickly resumed its trade relations with other Western or Western oriented countries including with Malaysia (Liow, 2005). The following graph shows bilateral trading between Indonesia and Malaysia from 1989 to 2014 (in USD). The trading fluctuated as Indonesia was several times a net exporter to Malaysia and also a net importer from Malaysia. However, the trading position in the last three years (2012 to 2014) shows that Indonesia has recently been a net importer from Malaysia.

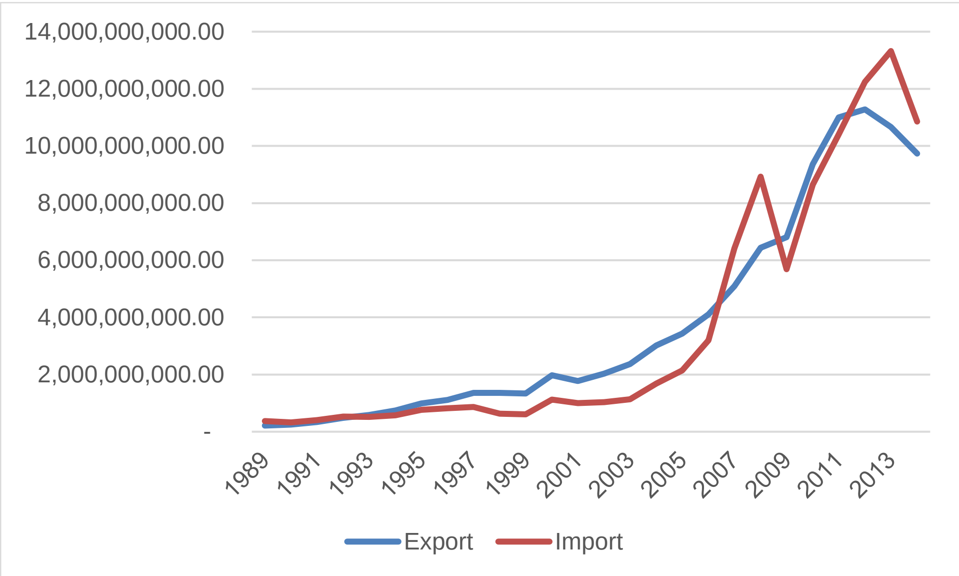


Figure 2.8*.* Graph of bilateral trading between Indonesia and Malaysia from 1989 to 2014, in current US dollars.
Source: United Nations Comtrade Database, www.comtrade.un.org/data.

2.5.5. Trading with other countries

The two biggest trading partners of the Southeast Asian countries are the 'other' Southeast Asian countries and China (Crosby, 2016; Verhezen, Williamson, et al., 2016).

Trading with the US and European countries is less prominent than with China, especially after China joined the World Trade Organisation in 2001. For both Indonesia and Malaysia, China and Singapore are always in the top three trading partners, both for exports and imports, Japan being the other.

The top export destination based on its export value from Indonesia as at 2014 was Japan, followed by China and Singapore; while from Malaysia this was Singapore, China, and Japan, in that order, with the US in the fourth position for both countries for the same time. The following graphs show export activities from Indonesia and Malaysia to these four countries from 1989 to 2014.

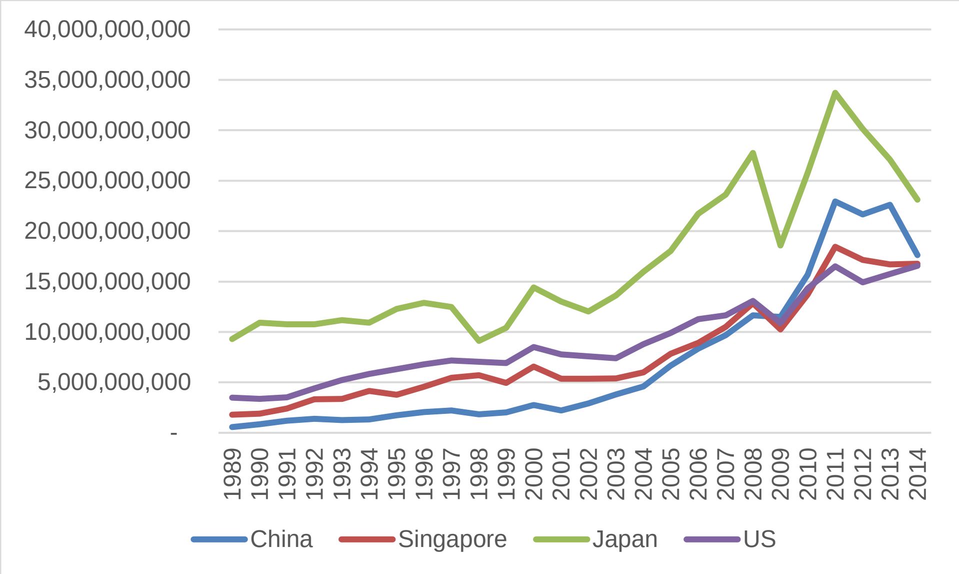


Figure 2.9*.* Graph of Indonesian export from 1989 to 2014, in current US dollars.
Source: United Nations Comtrade Database, www.comtrade.un.org/data.

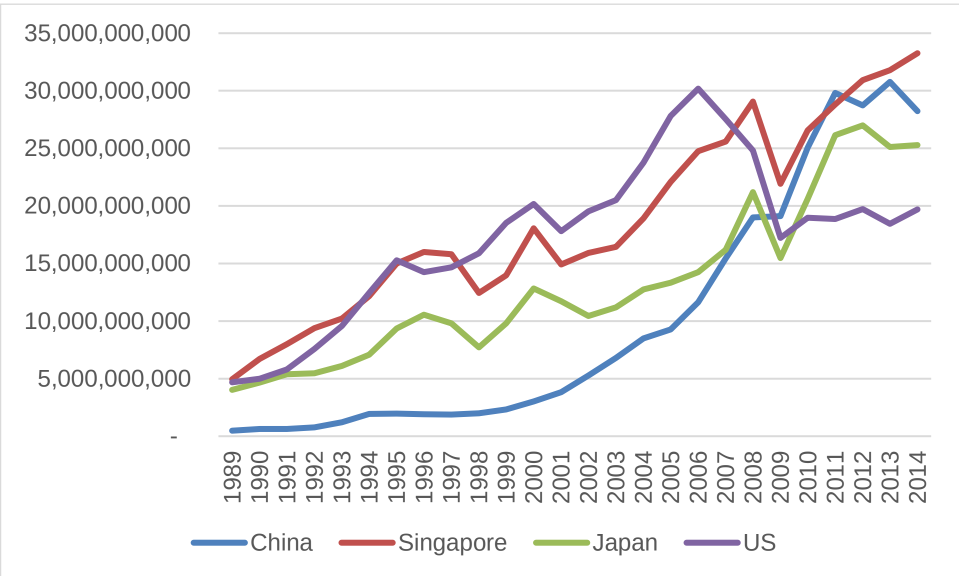


Figure 2.10. Graph of Malaysian export from 1989 to 2014, in current US dollars.
Source: United Nations Comtrade Database, www.comtrade.un.org/data.

If, in terms of the value of export activities, the ranks of the top three trading partners for Indonesia and Malaysia were different; in import activities, these were the same. China, Singapore, and Japan respectively were the biggest exporters to Indonesia and Malaysia based on import value as at 2014. Korea was the fourth largest exporter to Indonesia and was the sixth to Malaysia. The US was the fourth largest exporter to Malaysia and also to Indonesia. The following graphs show Indonesian and Malaysian import activities from 1989 to 2014.

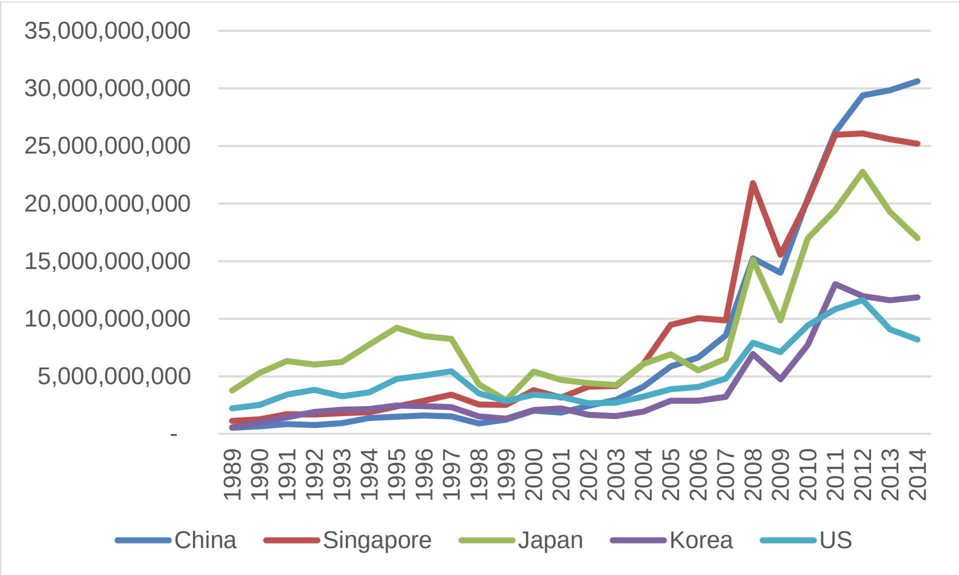


Figure 2.11. Graph of Indonesian import from 1989 to 2014, in current US dollars.
Source: United Nations Comtrade Database, www.comtrade.un.org/data.

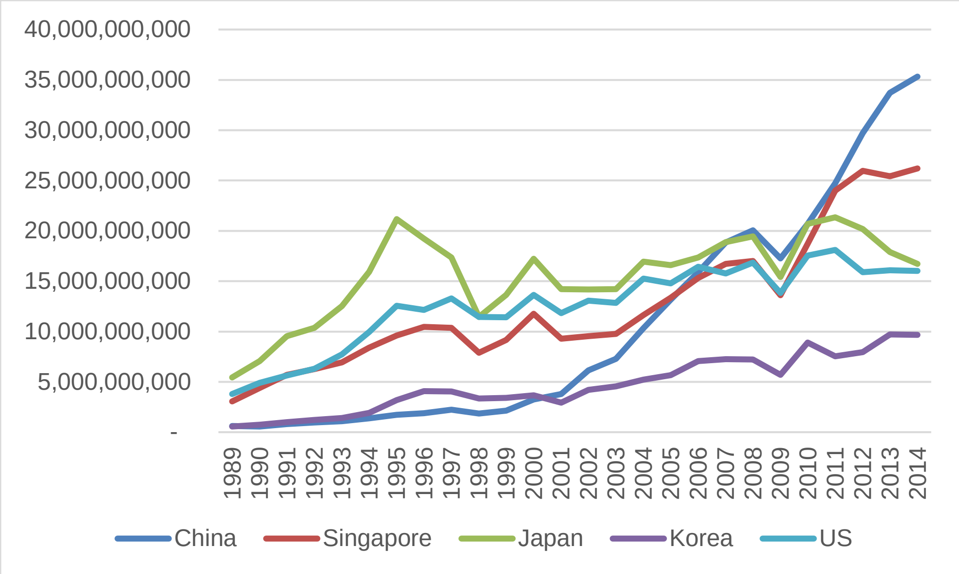


Figure 2.12. Graph of Malaysian import from 1989 to 2014, in current US dollars.
Source: United Nations Comtrade Database, www.comtrade.un.org/data.

2.5.6. Education

Since its independence in 1945, Indonesia used the Indonesian language as the national language. In 1966, the Indonesian government banned Chinese schools, Chinese cultural associations, Chinese publications, the usage of Chinese language, and instructed all ethnic Chinese to change their names to Indonesian names (Suryadinata, 1984). This situation totally contrasted with Malaysia, where the majority of Malaysians actively speak their national language and other languages, including English and Chinese (Darmi & Albion, 2013). Despite the banning of Chinese language in Indonesia, the English language has been officially taught in Indonesian schools since 1967.

Malaysia also gradually converted English and Chinese schools to national schools in 1970. However, the English language is still taught as a second language in primary and secondary schools (Darmi & Albion, 2013). Following this policy, there was a decline in English language competence among Malaysians and the government tried to reintroduce English as a medium of instruction for science and mathematics in primary and secondary schools in 2003 (Stephen, 2013). Furthermore, the Malaysian government acknowledged the importance of English language in globalisation and implemented the ‘Strengthening English’ program from 2011.

In terms of government expenditure on education as a percentage of GDP, and government expenditure per tertiary student as a percentage of GDP per capita, the government expenditure in Malaysia is higher than in Indonesia. Even so, Indonesia is able to constantly increase its percentage of tertiary students to gross enrolments. Figure 2.13, 2.14, and 2.15 provide these data.

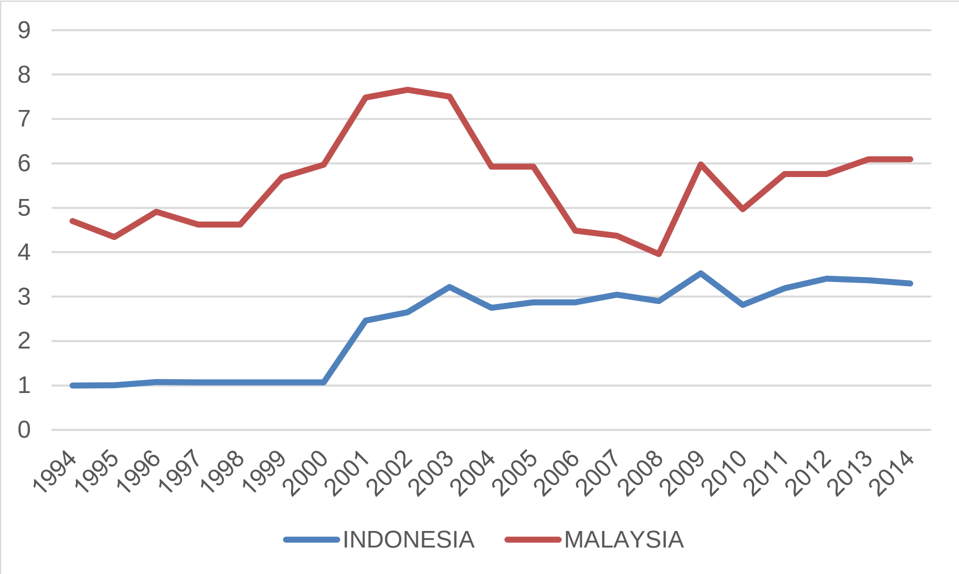


***Figure 2.13**.* Government expenditure on education as percentage of GDP.
Source: The World Bank, http://data.worldbank.org/topic/education.

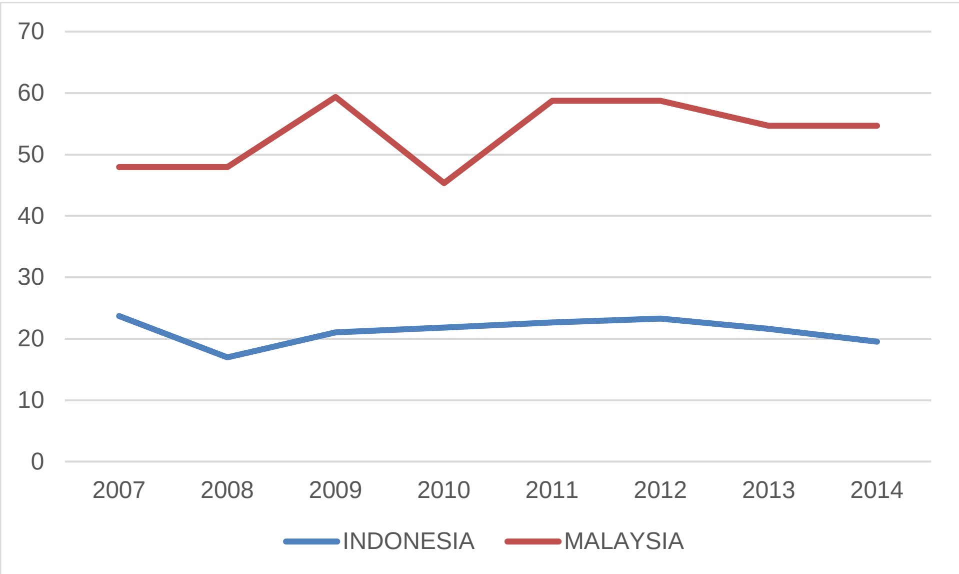


***Figure 2.14**.* Government expenditure per tertiary student as percentage of GDP per capita.
Source: The World Bank, http://data.worldbank.org/topic/education.

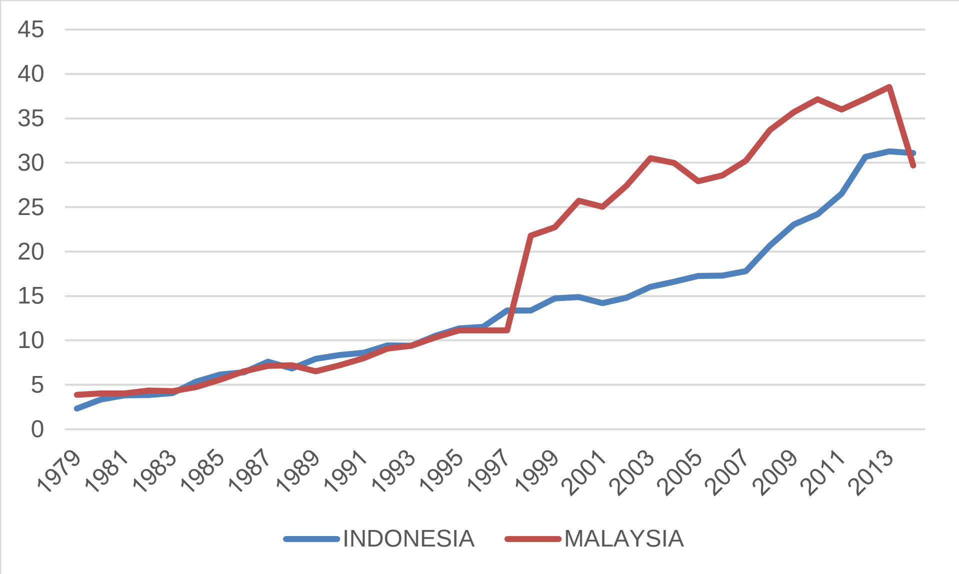


Figure 2.15. Percentage of gross enrolment ratio of tertiary students
Source: The World Bank, http://data.worldbank.org/topic/education.

In regard to the internationalisation of higher education in both countries, Malaysia had its first foreign university opening in 1998. In Indonesia, there are no foreign universities to date. In order to improve the higher education level of its citizens, Malaysia started to provide national scholarships to study in Malaysia or abroad since 1970. In Indonesia, this type of national scholarship has been available for academics since 2008 and for all Indonesians since 2012. Indonesia also paid less attention to the internationalisation of its research output, this has always been below Malaysia's since 1996. The following figure shows a comparison of the international research outputs of Indonesia and Malaysia.

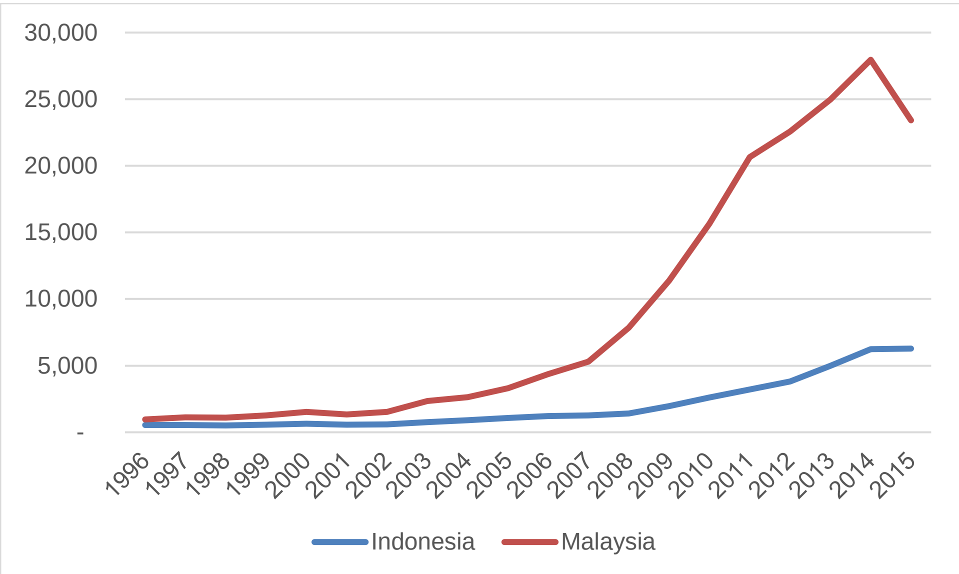


Figure 2.16. International research output of Indonesia and Malaysia.
Source: http://scimagojr.com/countryrank.php?.

2.5.7. Capital market development and investment

The Malaysian stock exchange was established in 1960 and had 181 listed companies in 1980. The Indonesian stock exchange originally opened in 1912 under the Dutch colonial government as a branch of the Amsterdam stock exchange and was closed several times during World Wars I and II. It reopened in 1977 (Daniel, 2003; Jaswadi, 2013; Wulandari & Rahman, 2004) and in 1980 there were only six listed companies . As at 2016, there were still more listed companies in the Malaysian stock exchange however, the market capitalisation of listed domestic companies in Indonesia in 2016 was higher than in Malaysia. The following graphs report the market capitalisation of listed domestic companies in both countries.

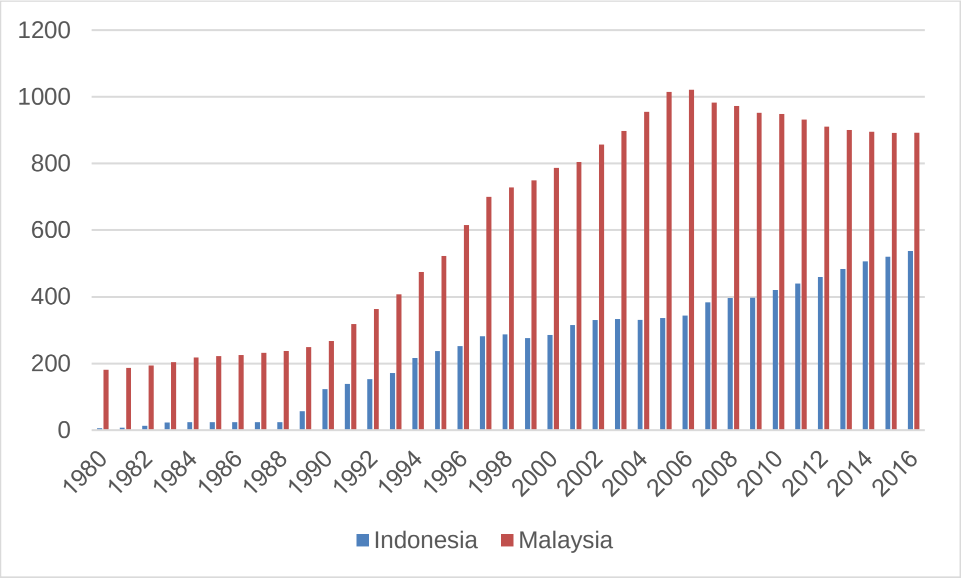


Figure 2.17*.* Graph of number of listed companies in Indonesian and Malaysian stock exchange from 1980 to 2016.
Source: World of Federation Exchanges database, http://www.world-exchanges.org/home/.

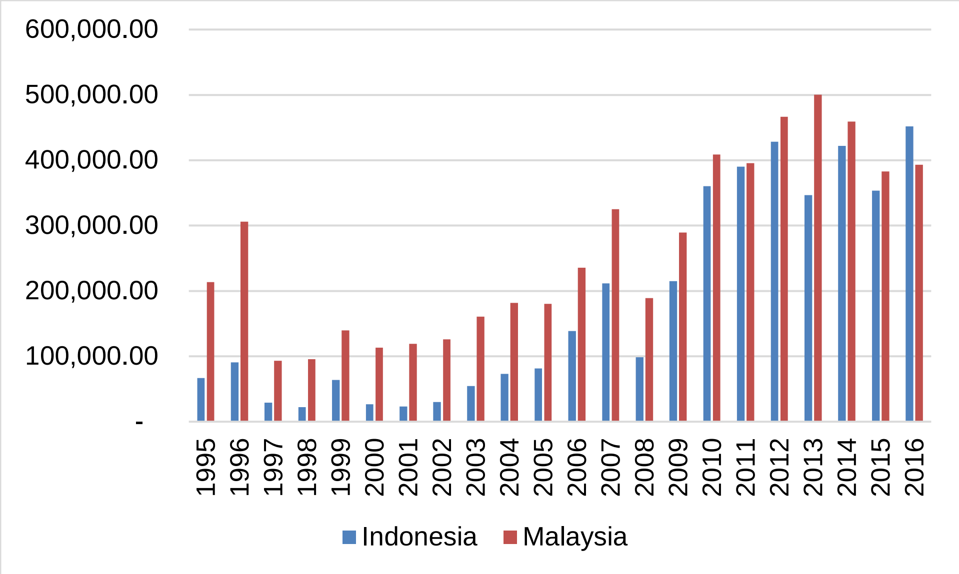


Figure 2.18. Graph of the market capitalisation of listed domestic companies in Indonesia and Malaysia, in current millions USD.
Source: World of Federation Exchanges database, http://www.world-exchanges.org/home/.

Indonesia experienced an increase in foreign direct investment inward stock in late 2000. This explains the significant jump in market capitalisation of listed domestic companies in Indonesia. Since then foreign direct investment inward stock of Indonesia has been higher than Malaysia. Figure 2.19 provides comparative data from 1990 to 2015. Tambunan (2013) explains that the Indonesian government seeks to reform its investment policies and regulations as one of the largest contributors to the overall increase of investment in Indonesia. He also adds that Indonesia suffered relatively mild effects from the global financial crisis in 2008 due to fewer ties to multinational value chains.

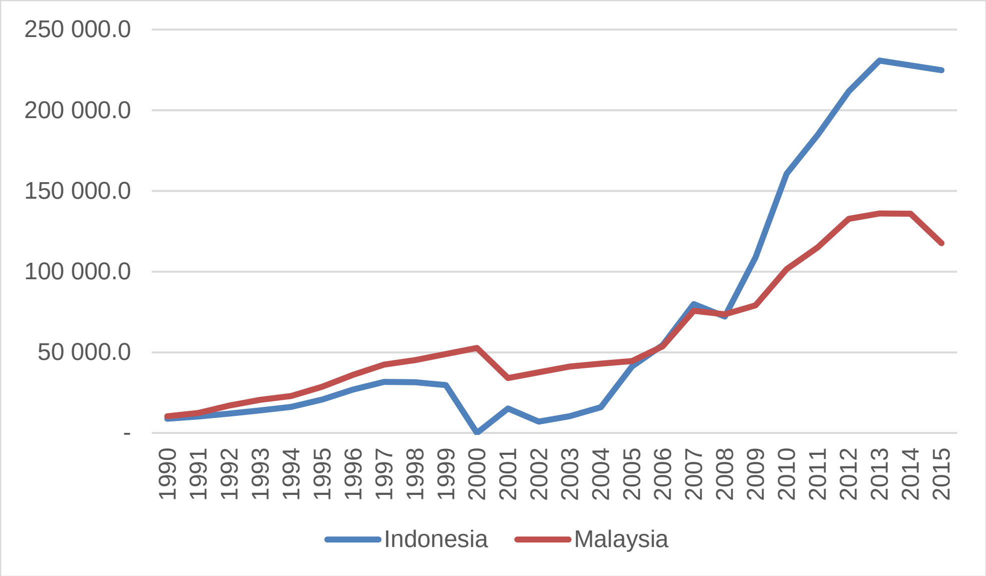


Figure 2.19. Graph of foreign direct investment inward stock of Indonesia and Malaysia from 1990 to 2015, in current millions USD.
Source: UNCTAD World Investment Report 2016, http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx.

2.5.8. Corporate governance development

Corporate governance is critical, especially in a country that is transitioning from a national economy to a global economy (Kidd & Richter, 2003). Johnson et al. (2000) documented alleged incidents of corporate crime in Indonesia and Malaysia during the Asian financial crisis due to poor corporate governance practices. In Malaysia, the chairman of one corporation used company funds to pay off his personal debts. In Indonesia, managers diverted corporate funds to finance a political party.

Furthermore, Dearden (2003) explains that aid donors can contribute to the improvement of corporate governance in developing countries. In Indonesia, the commitment to the International Monetary Fund, as the country's major lender following the 1997 Asian financial crisis, is driving the country's commitment to corporate governance development. This crisis wiped out almost a decade of extraordinary economic growth in East Asia and was caused by poor governance, corruption, and cronyism in the region (Gan, 2003). The following figures provide a comparison on several indicators for Indonesia and Malaysia. The graphs show the improvement of voice and accountability scores, political stability and absence of violence/terrorism scores, rule of law scores, and control of corruption scores in Indonesia over years. Furthermore, figure 2.26 to 2.28 show similar cultural values of Indonesia and Malaysia.

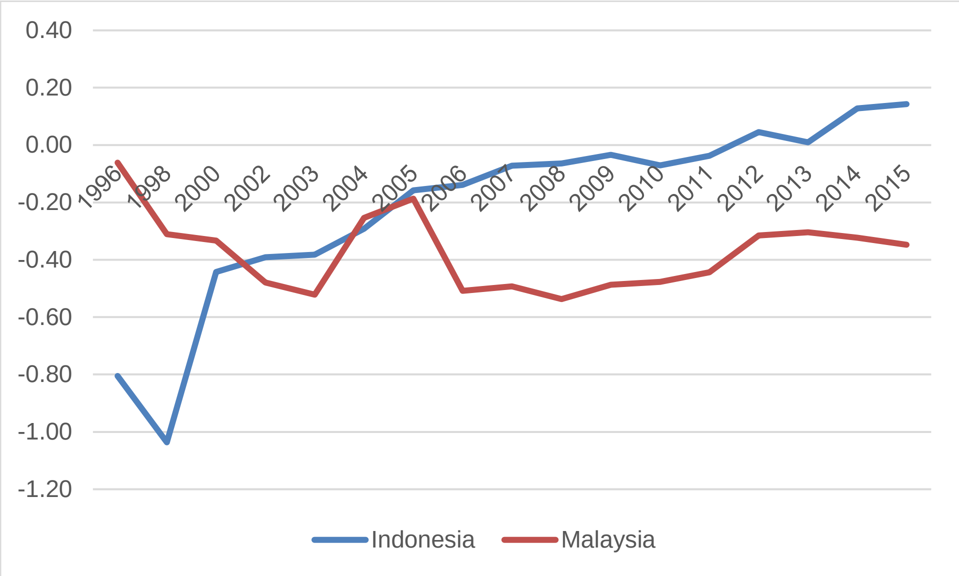


Figure 2.20. Graph of voice and accountability scores of Indonesia and Malaysia from 1996 to 2015.

Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

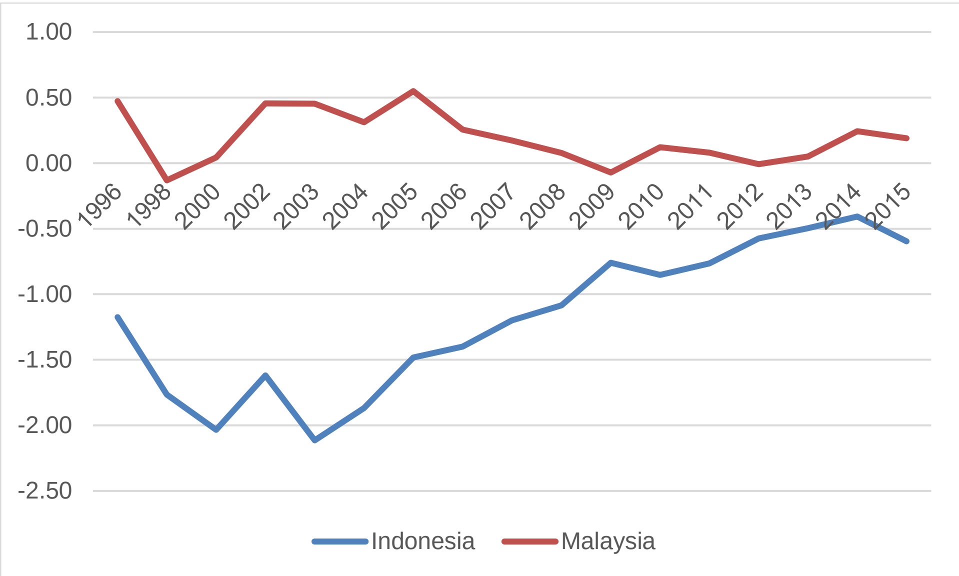


Figure 2.21. Graph of political stability and absence of violence/terrorism scores of Indonesia and Malaysia from 1996 to 2015.

Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

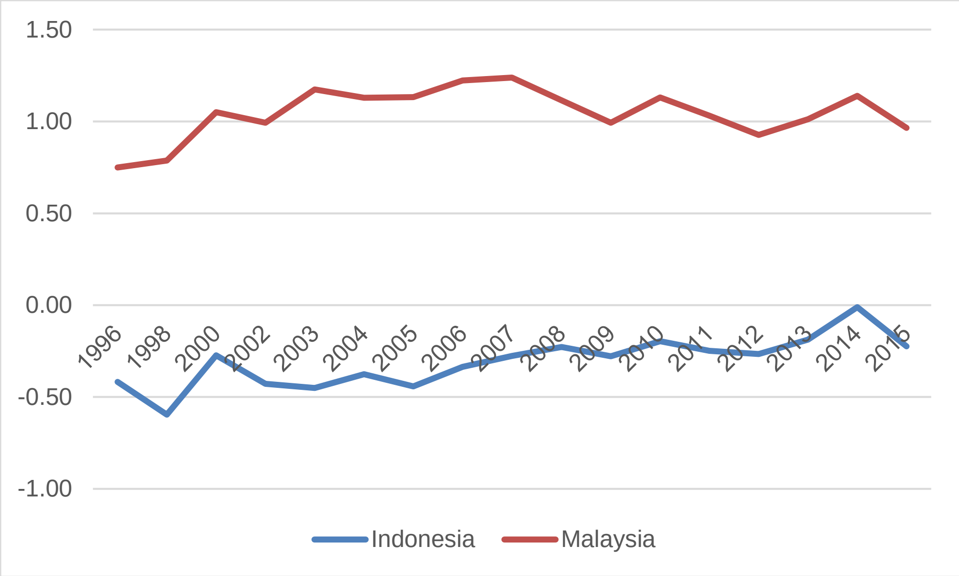


Figure 2.22. Graph of government effectiveness scores of Indonesia and Malaysia from 1996 to 2015.
Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

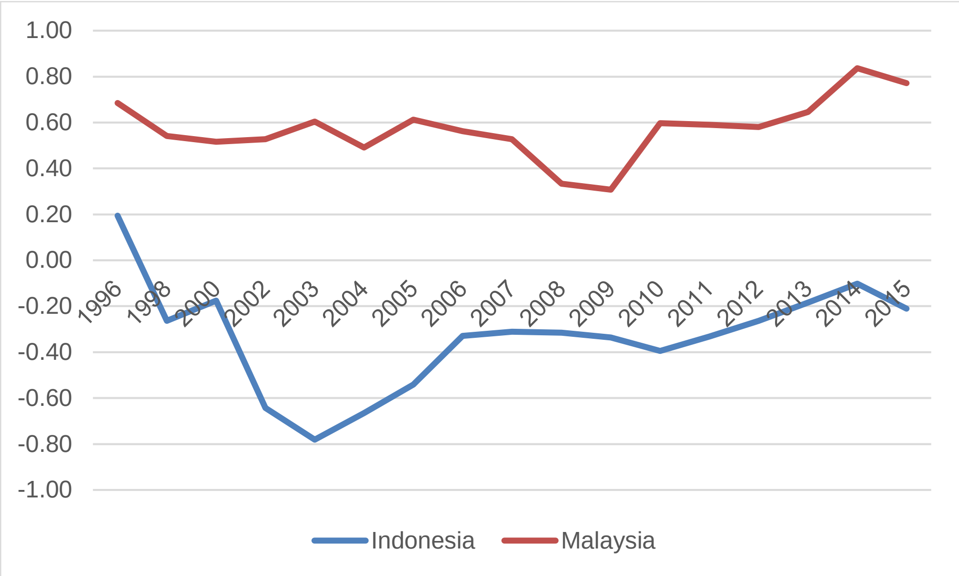


Figure 2.23. Graph of regulatory quality scores of Indonesia and Malaysia from 1996 to 2015.
Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

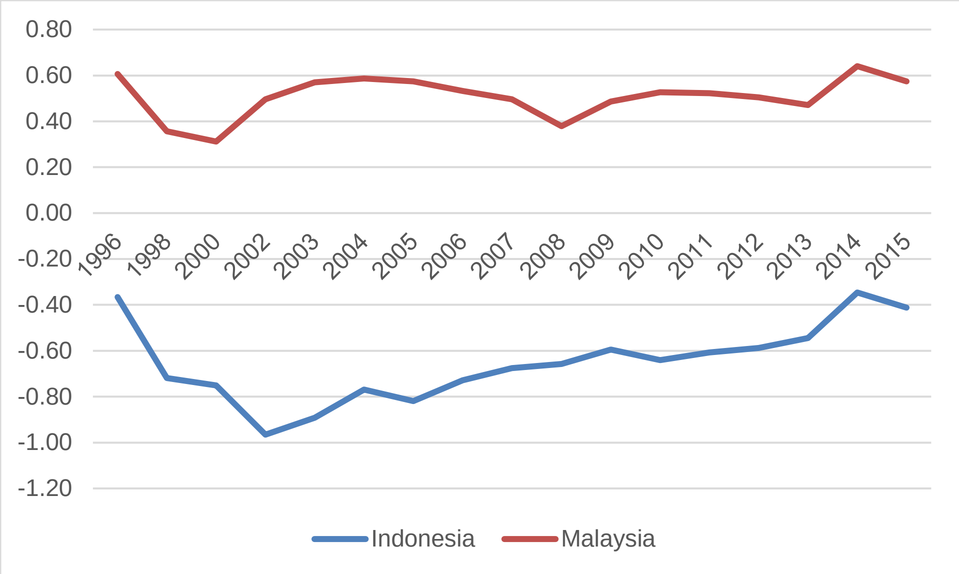


Figure 2.24. Graph of rule of law scores of Indonesia and Malaysia from 1996 to 2015.
Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

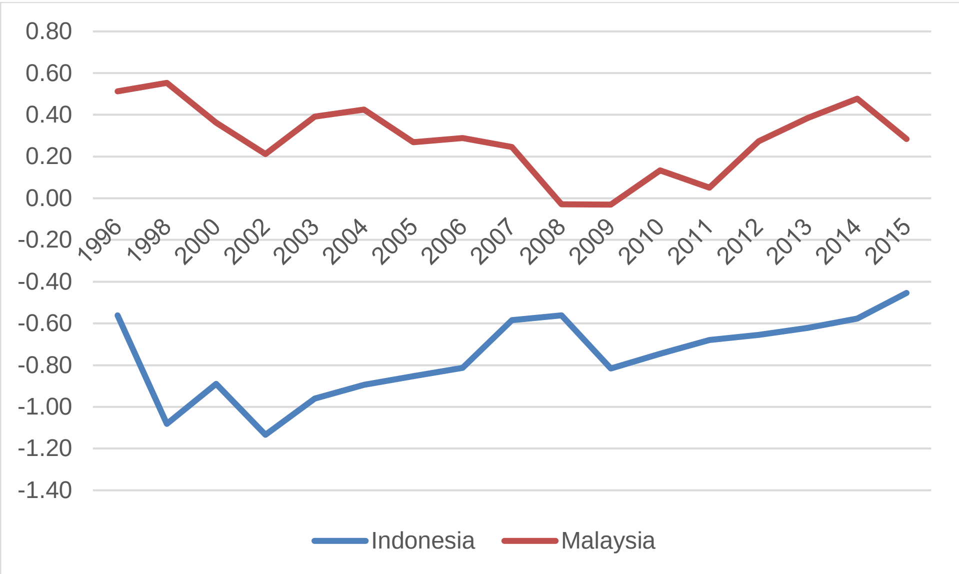


Figure 2.25. Graph of control of corruption scores of Indonesia and Malaysia from 1996 to 2015.
Source: WGI website, http://info.worldbank.org/governance/wgi/index.aspx#home. These scores are estimation of governance, ranges approximately from -2.5 (weak governance performance) to 2.5 (strong governance performance).

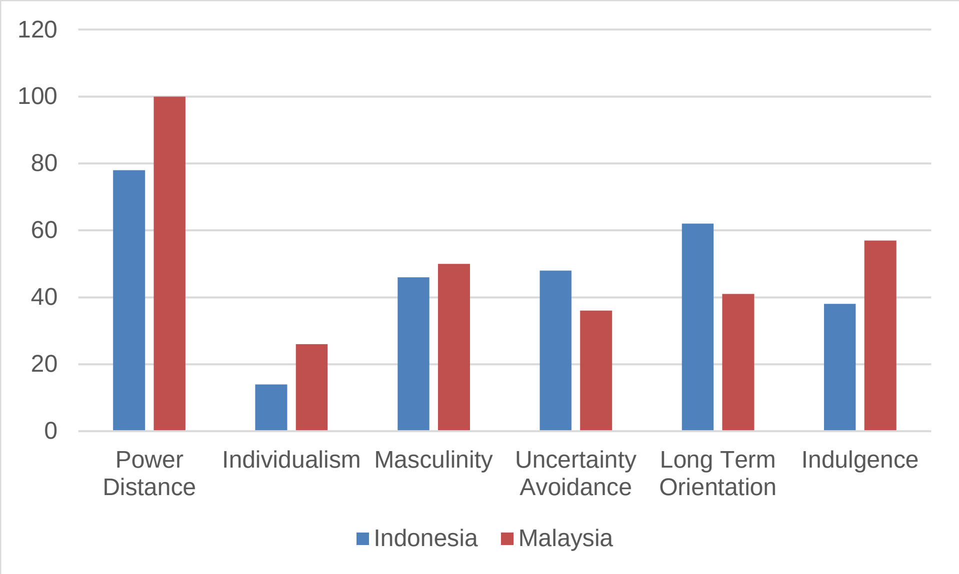


Figure 2.26. Graph of Hofstede's national culture scores of Indonesia and Malaysia.
Source: Hofstede, Hofstede, and Minkov (2010)

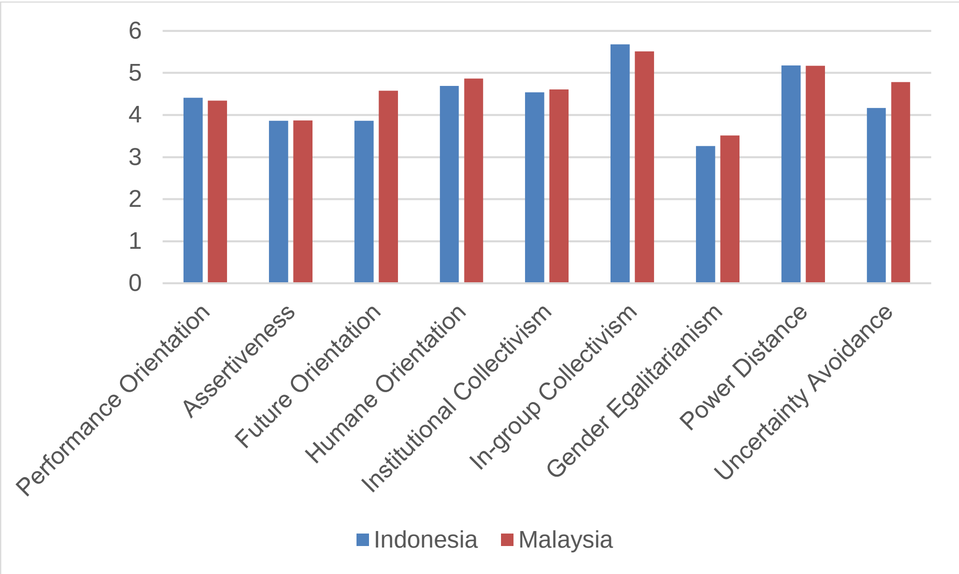


Figure 2.27. Graph of GLOBE's cultural practice scores of Indonesia and Malaysia.
Source: House, Hanges, Javidan, Dorfman, and Gupta (2004)

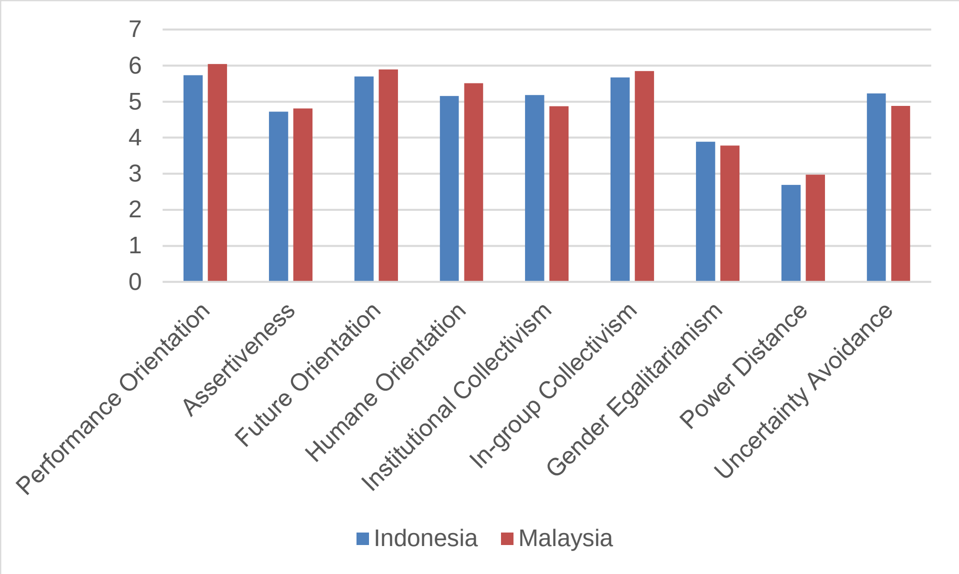


Figure 2.28. Graph of GLOBE's cultural value scores of Indonesia and Malaysia.
Source: House et al. (2004)

2.5.8.1. Indonesia

Indonesia established the National Committee for Corporate Governance in 1999 to formulate, design and recommend corporate governance policies and prepare a code for good corporate governance. In 2004, this committee's name was changed to the National Committee on Governance. The committee published the first code for good corporate governance in 2000, and this was subsequently amended in 2001 and 2006. In general, this code is consistent with the OECD principles of corporate governance. The 2006 code of good corporate governance contains eight parts: ensuring the basis for an effective corporate governance framework, good corporate governance principles, business ethics and code of conduct, organs of the company, rights and role of shareholders, rights and role of other stakeholders, implementation statement of the code and general guidelines of good corporate governance implementation (National Committee on Governance, 2006). A new company law was introduced in 2007 prescribing the specific duties of board members.

There are five good corporate governance general principles in the code: transparency, accountability, responsibility, independence, and fairness. The transparency principle calls the company to provide easily accessible information for stakeholders. The accountability principle calls for a transparent and fair assessment of business performance, and the responsibility principle requires the company to comply with all laws and regulations and fulfill its responsibility to the communities and environment. An independent management of the company with the appropriate balance of power is the principle of independence, and the fairness principle reminds a company to consider all of their stakeholders fairly in conducting its activities (National Committee on Governance, 2006). Table 2.1 provides code provisions of each principle of Indonesia's code of good corporate governance.

As a civil law country, Indonesia applies the dual board structure which consists of the management board and the supervisory board. The management board role is similar to management under the unitary board system, and the supervisory board role is similar to the board of directors under the single board system (Gul & Tsui, 2004; Wulandari & Rahman, 2004). It is argued that Indonesia ran the first application of the dual board structure in the world when the *Vereenigde Oost-Indische Compagnie* established its supervisory board during Dutch colonisation (Jaswadi, 2013). This event happened in 1632, which was then followed by the introduction of the dual board structure in France and Germany at the beginning of the 19th century. The listing rule of the Indonesian stock exchange requires a minimum of 30% of the independent supervisory board to ensure the effectiveness of its oversight function. Furthermore, Indonesian Company Law 2007 also states that supervisory boards have the right to suspend the board of directors and could assume a management role during a specific time frame.

Principles	**Code Provisions**
Transparency	A company must provide timely, appropriate, clear, accurate and comparable information accessible to stakeholders that are commensurate with their rights.
	Information disclosed includes but is not limited to the vision, mission, business targets and strategy, financial condition, composition and compensation of the management, controlling shareholders, shares owned by members of the Board of Directors and the Board of Commissioners and its family members in a company and other companies, risk management system, oversight and internal control system, GCG structure and mechanism and its level of compliance, and important events that may affect the condition of a company.
	The transparency principle adopted by a company does not lessen its obligation for fulfilling provisions on confidentiality in accordance with laws and regulations, occupational confidentiality, and personal rights.
	Company policies must be formally written and proportionally communicated to stakeholders.
Accountability	A company must clearly define the job description and responsibilities of each company organ and all employees that are in line with the vision, mission, values, and strategy of a company.
	A company must ensure that all company organs and all employees shall have the qualifications that fit its duty, responsibility, and role in the implementation of GCG.
	A company must ensure the existence of an effective internal control system within a company.

	A company must have performance indicators for all members of the Board of Directors and the Board of Commissioners as well as the employees that are consistent with the company's objectives, and have a reward and punishment system.
	In executing its duty and responsibility, each organ of a company and all employees must uphold to the business ethics and an agreed upon code of conduct.
Responsibility	The organs of a company must be prudent in decision making and in its actions, and ensure compliance with laws and regulations, its articles of association and bylaws.
	A company must fulfill its social responsibility by having, inter alia, an awareness of the environmental and societal interests of the communities in which the company operates through appropriate planning and implementation to address the issues.
Independency	Each company's organ must avoid the occurrence of domination by any party, must not be influenced by any certain interest, must be free from conflict of interests and any influence or pressure, so that the decision making can be carried out objectively.
	Each company's organ must exercise its function and duty in accordance with the articles of association and rules and regulations, not dominating each other and or shifting the responsibility from one to the other.
Fairness	A company must provide the opportunity for stakeholders to give input and opinions in the interest of a company, and establish access to the company's information in accordance with the transparency principle and within the scope of their respective capacities.
	A company must provide a fair and equitable treatment to stakeholders in accordance with the benefit and contribution given to the company.
	A company must give equal opportunity in recruitment of employees, in career development and for employees to carry out their duty professionally.

***Table 2.1**.* Principles and code provisions of good corporate governance in Indonesia
Source: Indonesia's code of good corporate governance (National Committee on Governance, 2006)

Principles	**Recommendations**
Enhance the value of General Meeting of Shareholders (GMS)	Publicly listed companies have technical procedures in place for voting to ensure independence and the interest of shareholders.
	All member of the management board and supervisory board must be present at the annual GMS.
	Summary of the minutes of the annual GMS must be available on publicly listed companies' websites for at least one year.
Increase communication quality with shareholders or investors	Publicly listed companies have a communication policy in place to communicate with shareholders or investors.
	Publicly listed companies disclose their communication policy with shareholders or investors on companies' websites.
Strengthen structure and composition of supervisory board	Determination of number of members of the supervisory board must consider the condition of publicly listed companies.
	Determination of composition of members of the supervisory board must take into account expertise, knowledge and experience diversity.
Increase quality of execution of duties and responsibilities of supervisory board	The supervisory board has a self-assessment policy to assess their performance.
	Self-assessment policy to assess supervisory board performance must be disclosed in the annual report.
	The supervisory board has a policy regarding the resignation of its member involved in financial crime.
	Supervisory board or committee in charge of nomination and remuneration functions arranges a succession policy regarding the nomination process of members of the management board.
	Determination of the number of management board members must consider the condition of publicly listed companies and its effectiveness in decision making.

Strengthen structure and composition of management board	Determination of composition of members of management board must consider expertise, knowledge and experience diversity.
	Members of management board in charge of accounting or finance functions must have the expertise and/or knowledge in accounting.
Increase quality of execution of duties and responsibilities of management board	Management board has a self-assessment policy to assess their performance.
	Self-assessment policy to assess management board performance must be disclosed in the annual report.
	Management board has a policy regarding the resignation of its member involved in financial crime.
Increase corporate governance aspects through participation of stakeholders	Publicly listed companies have policy to prevent insider trading.
	Publicly listed companies have anti-corruption and anti-fraud policies.
	Publicly listed companies have a policy regarding vendor selection.
	Publicly listed companies have a policy regarding fulfillment of creditor rights.
	Publicly listed companies have a whistleblowing system policy.
	Publicly listed companies have a long-term incentive policy for the management board and employees.
Increase disclosure of information	Publicly listed companies utilise information technology beyond websites as media for the disclosure of information.
	Annual reports of publicly listed companies disclose the ultimate shareholders of publicly listed companies that own at least 5% of company shares and also disclose the ultimate owners of major shareholders and controlling shareholders.

***Table 2.2**.* Principles and recommendations for corporate governance for publicly listed companies in Indonesia
Source: Indonesian Financial Services Authority (2015a)

Furthermore, following his appointment, President Jokowi showed his concern over this area by implementing two new regulations. One was related to disclosures of listed companies on the corporate websites (Indonesian Financial Services Authority, 2015b), and another concerned regulation of the corporate governance of listed companies (Indonesian Financial Services Authority, 2015a). The first rule appeared in June 2015 and the later one in November 2015. These complement the regulations of annual reports of listed companies and the code of corporate governance.

The regulations of corporate governance for publicly listed companies were issued on 17 November 2015. There are eight principles and 25 recommendations for good corporate governance application. The difference between these regulations and the 2006 code of good corporate governance is that the former only applies to publicly listed companies, and the regulation applies the "comply or explain" approach. Table 2.2 provides details of these regulations.

2.5.8.2. Malaysia

Similar to other countries affected by the 1997 Asian financial crisis, the issue of corporate governance practices and recommendations in Malaysia emerged following this crisis. The development of corporate governance in Malaysia did not influenced by other parties, such as the International Monetary Fund in the case of Indonesia, as Malaysia did not receive financial aid from donors during the crisis (Gomez, 2004; M. F. Islam, 2001). Instead, this reform was driven by the government's belief that weak corporate governance was the most significant factor in the crisis and corporate governance improvement was necessary for company restructuring (Alnasser, 2012).

In their effort to establish best corporate governance practices and setting best practices for Malaysian companies, a high level finance committee was formed in 1998. This committee adopted principles of corporate governance and best practices of corporate governance from the OECD, the ADB, the World Bank, the United Kingdom, Australia and other common law and non-common law countries (Singam, 2003). However, according to Salim (2011) and Mallin (2013), corporate governance regulation in Malaysia draws largely from Anglo-Saxon corporate governance systems or, more specifically, from UK corporate governance.

The committee introduced the first code of corporate governance in 2000, and since then this has been revised in 2007 and 2012. Malaysia has been applying a 'comply or explain' approach since 2000, as required by its first code of corporate governance. The focus of the code revision both in 2007 and 2012 was on board structure, role and committees (Securities Commission Malaysia, 2012). While the 2000 code consisted of four principles and 13 recommendations, this was enhanced in the 2012 code which included eight principles and 26 recommendations. The following tables provide detail on the Malaysian code on corporate governance 2000 and 2012.

Principles	**Recommendations**
Directors	Every listed company should be headed by an effective board which should lead and control the company.
	The board should include a balance of executive directors and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the board's decision making.
	The board should be supplied in a timely fashion with information in a form and of a quality appropriate to enable it to discharge its duties.
	There should be a formal and transparent procedure for the appointment of new directors to the board.
	All directors should be required to submit themselves for re-election at regular intervals and at least every three years.
Directors' remuneration	Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors. In the case of non-executive

	directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular non-executives concerned.
	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
	The company's annual report should contain details of the remuneration of each director.
Shareholders	Companies and institutional shareholders should each be ready, where practicable, to enter into a dialogue based on the mutual understanding of objectives.
	Companies should use the annual general meeting (AGM) to communicate with private investors and encourage their participation.
Accountability and audit	The board should present a balanced and understandable assessment of the company's position and prospects.
	The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.
	The board should establish formal and transparent arrangements for maintaining an appropriate relationship with the company's auditors.

Table 2.3. Principles and recommendations of Malaysian code on corporate governance 2000
Source: Finance Committee on Corporate Governance (2000)

Principles	**Recommendations**
Establish clear roles and responsibilities	The board should establish clear functions reserved for the board and those delegated to management.
	The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.
	The board should formalise ethical standards through a code of conduct and ensure its compliance.
	The board should ensure that the company's strategies promote sustainability.
	The board should have procedures to allow its members access to information and advice.
	The board should ensure it is supported by a suitably qualified and competent company secretary.
	The board should formalise, periodically review and make public its board charter.
Strengthen composition	The board should establish a Nominating Committee which should comprise exclusively non-executive directors, a majority of whom must be independent.
	The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.
	The board should establish formal and transparent remuneration policies and procedures to attract and retain directors.
Reinforce independence	The board should undertake an assessment of its independent directors annually.
	The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.
	The board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.
	The positions of chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the board.
	The board must comprise a majority of independent directors where the chairman of the board is not an independent director.
Foster commitment	The board should set out expectations on the time commitment for its members and protocols for accepting new directorships.
	The board should ensure its members have access to appropriate continuing education programmes.
Uphold integrity in financial reporting	The Audit Committee should ensure financial statements comply with applicable financial reporting standards.
	The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

Recognise and manage risks	The board should establish a sound framework to manage risks.
	The board should establish an internal audit function which reports directly to the Audit Committee.
Ensure timely and high quality disclosure	The board should ensure the company has appropriate corporate disclosure policies and procedures.
	The board should encourage the company to leverage on information technology for effective dissemination of information.
Strengthen relationship between company and shareholders	The board should take reasonable steps to encourage shareholder participation at general meetings.
	The board should encourage poll voting.
	The board should promote effective communication and proactive engagements with shareholders.

***Table 2.4**.* Principles and recommendations of Malaysian code on corporate governance 2012
Source: Securities Commission Malaysia (2012)

2.6. Summary

Despite the differing history of both countries during key colonisation periods and the distinct ways that both countries achieved their independence, both are performing well economically, particularly after the 1997 Asian financial crisis. The introduction of a corporate governance code in both countries following the crisis has helped them to recover from the Asian financial crisis's impact, and both survived the 2008 global financial crisis. While the two had a very different path to independence and distinctly different political climates since then, both are now firmly on a path of economic and political reform which will likely drive economic growth for them both. The updated corporate governance-related regulations and code in Indonesia may assist Indonesia's economy to perform better, particularly in attracting foreign investment, as expected by its current president. The following chapter discusses corporate governance, corporate disclosures, and corporate governance disclosures. Chapter 3 also discusses the different corporate governance models existing in Indonesia and Malaysia, and also outlines the UNCTAD corporate governance disclosure benchmark. This disclosure benchmark is the measure of corporate governance disclosure used in this thesis. Chapter 3 also further compares this benchmark to the mandatory and voluntary disclosures made in Indonesia and Malaysia.

Chapter 3 Literature Review

3.1. Introduction

This chapter discusses the relevant literature on corporate governance, corporate disclosures, and corporate governance disclosures and the development of corporate governance codes by the OECD and leading countries. Two corporate governance models are highlighted: the insider model (also known as the Continental European model) and the outsider model (also known as the Anglo-Saxon model). Corporate governance in Indonesia is closer to the Continental European model whereas in Malaysia is closer to the Anglo-Saxon model. This difference is due to the fact that Indonesia's legal origins are French, and Malaysia's legal origins are Anglo-Saxon (OECD, 2001). Furthermore, two corporate governance mechanisms also discussed: internal and external. The difference between internal and external corporate governance mechanisms is whether these mechanisms are internal to the corporation or external to the corporation.

The literature on corporate disclosure in annual reports and on the WWW is presented. The last section of this chapter outlines the UNCTAD corporate governance disclosures benchmark. In this thesis, this benchmark is used to construct corporate governance disclosure measures. Finally, the benchmark is compared to the mandatory and voluntary disclosures made in Indonesia and Malaysia.

3.2. Corporate governance

3.2.1. Corporate governance development

The term 'corporate governance' gained prominence in the early 1980s (Tricker, 2009, 2012). Tricker explains that corporate governance issues arise when the owners of a corporation put someone else in charge of its operation. The early debate over the separation of ownership and control started in 1827 when Adam Smith, in his book *"An Inquiry into the Nature and Causes of the Wealth of Nations"*, offered his perspective on this issue:

> The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a

> private copartnery watch over their own. … Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. (Smith, 1827, p. 311).

Berle and Means (1932) documented the growing trend of more powerful managers of corporations' daily operations, due to the increasing number and geographic spread of shareholders. A series of international corporate scandals and the evidence of abuse of directors' powers in the 1980s led to the emergence of 'corporate governance' as an important issue. Drexal Burnham Lambert (the US), Robert Maxwell Group plc and Coloroll (the UK), Rothwells Ltd (Australia), and Nomura Securities (Japan) are a few of the companies involved. These improprieties forced regulators to reassess how corporations were directed and directors held accountable.

The Cadbury Report was issued in 1992 in the UK. It provided a definition of corporate governance and set out the role of directors and shareholders:

> Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meetings. (Cadbury, 1992, p. 15).

However, it is important to note that there is no universally accepted definition of corporate governance due to diverse perspectives (Aguilera, Desender, Bednar, & Lee, 2015; du Plessis, Hargovan, & Bagaric, 2011). The Cadbury Report was soon followed by other significant reports issued across the world, as summarised in the following table.

Report	**Country**	**Year**
Cadbury Report	UK	1992
Strictly Boardroom	Australia	1993
King Report I	South Africa	1994
Greenbury Report	UK	1995
Viénot Report I	France	1995
TSX Corporate Governance Guidelines	Canada	1995

Report	Country	Year
Netherlands Report	Netherlands	1997
Statement on Corporate Governance	US	1997
Hampel Report	UK	1998
UK Combined Code	UK	1998
Strictly Boardroom, second edition	Australia	1998
OECD Principles of Corporate Governance	-	1999
Turnbull Report	UK	1999
Viénot Report II	France	1999
Myners Report	UK	2001
Beyond Compliance: Building a Governance Culture	Canada	2001
Sarbanes-Oxley Act	US	2002
Updated Statement on Corporate Governance	US	2002
King Report II	South Africa	2002
The Corporate Governance of Listed Corporations	France	2003
Principles of Good Corporate Governance and Best Practice Recommendations	Australia	2003
Corporate Governance Guideline	Canada	2003
Higgs Report	UK	2003
Smith Report	UK	2003
Tyson Report	UK	2003
Revised UK Combined Code	UK	2003
NYSE Corporate Governance Rules	US	2003
The Dutch Corporate Governance Code	Netherlands	2003
Corporate Governance Principles	New Zealand	2003
Revised OECD Principles of Corporate Governance	-	2004
Myners Report	UK	2004
Revised Turnbull Report	UK	2005
Revised UK Combined Code	UK	2006
Revised UK Combined Code	UK	2008
Myners Report	UK	2008
Revised Smith Report	UK	2008
Revised Dutch Corporate Governance Code	Netherlands	2008
Corporate Governance Code of Listed Corporations	France	2008
Walker Review	UK	2009
King Report III	South Africa	2009
UK Corporate Governance Code	UK	2010
Stewardship Code	UK	2010
NYSE Commission on Corporate Governance Report	US	2010
Corporate Governance Principles and Recommendations with 2010 Amendments	Australia	2010
Revised Corporate Governance Code of Listed Corporations	France	2010
Davies Report I	UK	2011
Davies Report II	UK	2012
Revised UK Corporate Governance Code	UK	2012
AFEP-MEDEF Corporate Governance Code of Listed Corporations	France	2013
Revised Corporate Governance Guideline	Canada	2013
Corporate Governance Principles and Recommendations, 3rd Edition	Australia	2014
G20/OECD Principles of Corporate Governance	-	2015
Revised Dutch Corporate Governance Code	Netherlands	2016
Code de Gouvernement d'Entreprise des Sociétés Cotées	France	2016

Table 3.1. Selected worldwide corporate governance report and code development
Source: Author’s compilation

Even though many countries had developed corporate governance guidelines by the mid-1990s, another series of corporate scandals arose in the early 2000s. The largest and most infamous corporate failure being Enron in the US. The oddity in Enron's case was that the corporation collapsed amid claims of fraud and directors' abuses despite the fact that most corporate governance guidelines had been followed by the company (Tricker, 2012). Early 2000 scandals also include WorldCom (the US), Marconi (the UK), HIH Insurance (Australia), Parmalat (Italy), and Vodafone Mannesmann (Germany), among others. There have been rapid changes in corporate governance practices internationally following these events (Claessens & Yurtoglu, 2013; Zalewska, 2014). This revolution in corporate governance practices and structures has occurred across all jurisdictions covering a range of models, including the Anglo-Saxon and Continental European models.

The differences in corporate governance practices and regulations between countries can be attributed to the diversity of control structures, corporate governance reform periods and enforcement levels (Al-Malkawi, Pillai, & Bhatti, 2014; Al Farooque, van Zijl, Dunstan, & Karim, 2007; Kim & Lu, 2013; Martynova & Renneboog, 2011). There are conflicting views as to whether specific corporate governance models may be best suited for different countries (Carney, Gedajlovic, & Yang, 2009; Globerman et al., 2011; Khanna, 2000).

The implementation of sound corporate governance has been found to improve corporate performance. Examples are the improvement of financial information timeliness, reduction of accounting fraud, higher transparency in reporting (Balachandran & Faff, 2015), higher stock liquidity (Chung et al., 2010), higher corporate valuation, higher growth opportunities (Durnev & Kim, 2005), reduction of corporate risk taking (Jiraporn et al., 2015; Zagorchev & Gao, 2015), reduction of financial distress likelihood (Miglani et al., 2015), and higher return on assets (Munisi & Randøy, 2013). In short, "good corporate governance is important to companies and it does add value and makes a difference" (du Plessis et al., 2011, p. 42).

In Asia, significant corporate governance reform was triggered by the 1990s Asian financial crisis. Many commentators contend that this crisis was primarily caused by poor corporate governance practices, institutional weaknesses, and policy weaknesses (Das, 2001; Globerman et al., 2011; Johnson et al., 2000; Mitton, 2002). Furthermore, low-quality disclosure practices, lack of transparency, and ineffective board practices were commonly found in Asian corporations at that time (ADB, 2014; OECD, 2014). In Indonesia, corporate governance reform was largely driven by pressures from the International Monetary Fund as the country's major donor to develop a corporate governance code. Although Malaysia did not receive any financial aid during the crisis, its leaders similarly realised that corporate governance improvement was necessary. Corporate governance development in Indonesia and Malaysia has been discussed in detail in Chapter 2.

The following sections discuss corporate governance principles developed by the OECD, the US, the UK, and corporate governance systems. This review includes the OECD in the discussion as it has designed corporate governance principles to assist countries in developing their corporate governance codes. The US and the UK are included as both countries have well-developed capital markets and corporate governance.

3.2.2. OECD corporate governance development

The OECD is an international organisation that was established in 1961 to mitigate economic and social problems in the world. At first the OECD consisted of 18 European countries, the United States, and Canada. While this has grown to 35 countries at present, most are developed countries. Among its most successful policies are models for tax conventions on income and on capital, and principles of corporate governance (OECD, 2011).

The OECD first published its principles of corporate governance in 1999, amending these in 2004 and 2015. G20 leaders endorsed its latest version of the principles at their 2015 summit. The 1999 OECD principles of corporate governance were the first initiative by an international organisation to develop the main elements of corporate governance (OECD, 1999). As such, they can be used by governments, both OECD member and non-member countries, as a benchmark for related corporate governance regulations of publicly listed corporations in their country. There are five principles of corporate governance in these 1999 principles: the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board.

The OECD added one principle in their 2004 OECD principles of corporate governance (related to ensuring an effective framework) as well as altering some recommendations (OECD, 2004). From 2014 to 2015, the OECD conducted a review of the 2004 OECD principles of corporate governance which resulted in the G20/OECD principles of corporate governance to maintain and strengthen transparency, accountability, the responsibilities of the board, the right of shareholders, and the role of key stakeholders (OECD, 2015). The following table summarises the G20/OECD principles of corporate governance.

Principles	Recommendations
Ensuring the basis for an effective corporate governance framework	The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.
	The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and well-functioning markets.
	The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.
	The division of responsibilities among different authorities should be clearly articulated and designed to serve the public interest.
	Stock market regulation should support effective corporate governance.
	Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.
	Cross-border co-operation should be enhanced, including through bilateral and multilateral arrangements for exchange of information.
The rights and equitable treatment of shareholders and key ownership functions	The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
	Basic shareholder rights should include the right to: 1. Secure methods of ownership registration. 2. Convey or transfer shares. 3. Obtain relevant and material information on the corporation on a timely and regular basis. 4. Participate and vote in general shareholder meetings. 5. Elect and remove members of the board. 6. Share in the profits of the corporation.
	Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes such as: 1. Amendments to the statutes, or articles of incorporation or similar governing documents of the company. 2. The authorisation of additional shares. 3. Extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company.
	Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings: 1. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well

Principles	Recommendations
	as full and timely information regarding the issues to be decided at the meeting. 2. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes. 3. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations. 4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes at shareholder meetings, on the remuneration of board members and/or key executives, as applicable. The equity component of compensation schemes for board members and employees should be subject to shareholder approval. 5. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia. 6. Impediments to cross border voting should be eliminated.
	Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.
	All shareholders of the same series of a class should be treated equally. Capital structures and arrangements that enable certain shareholders to obtain a degree of influence or control disproportionate to their equity ownership should be disclosed. 1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in economic or voting rights should be subject to approval by those classes of shares which are negatively affected. 2. The disclosure of capital structures and control arrangements should be required.
	Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders. 1. Conflicts of interest inherent in related-party transactions should be addressed. 2. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.
	Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.
	Markets for corporate control should be allowed to function in an efficient and transparent manner. 1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices

Principles	Recommendations
	and under fair conditions that protect the rights of all shareholders according to their class. 2. Anti-takeover devices should not be used to shield management and the board from accountability.
Institutional investors, stock markets, and other intermediaries	The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.
	Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.
	Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares.
	Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.
	The corporate governance framework should require that proxy advisors, analysts, brokers, rating agencies and others that provide analysis or advice relevant to decisions by investors, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice.
	Insider trading and market manipulation should be prohibited and the applicable rules enforced.
	For companies who are listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross listings, the criteria and procedure for recognising the listing requirements of the primary listing should be transparent and documented.
	Stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance.
The role of stakeholders in corporate governance	The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
	The rights of stakeholders that are established by law or through mutual agreements are to be respected.
	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.
	Mechanisms for employee participation should be permitted to develop.
	Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.
	Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this.
	The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.
Disclosure and transparency	The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Principles	Recommendations
	Disclosure should include, but not be limited to, material information on: 1. The financial and operating results of the company. 2. Company objectives and non-financial information. 3. Major share ownership, including beneficial owners, and voting rights. 4. Remuneration of members of the board and key executives. 5. Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board. 6. Related party transactions. 7. Foreseeable risk factors. 8. Issues regarding employees and other stakeholders. 9. Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.
	Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.
	An annual audit should be conducted by an independent, competent and qualified, auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.
	External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.
	Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.
The responsibilities of the board	The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.
	Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
	Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.
	The board should apply high ethical standards. It should take into account the interests of stakeholders.
	The board should fulfil certain key functions, including: 1. Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures. 2. Monitoring the effectiveness of the company's governance practices and making changes as needed. 3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning. 4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders. 5. Ensuring a formal and transparent board nomination and election process.

Principles	Recommendations
	6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions. 7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. 8. Overseeing the process of disclosure and communications.
	The board should be able to exercise objective independent judgement on corporate affairs. 1. Boards should consider assigning a sufficient number of nonexecutive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration. 2. Boards should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company's size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. 3. Board members should be able to commit themselves effectively to their responsibilities. 4. Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.
	In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.
	When employee representation on the board is mandated, mechanisms should be developed to facilitate access to information and training for employee representatives, so that this representation is exercised effectively and best contributes to the enhancement of board skills, information and independence.

Table 3.2. The G20/OECD Principles of Corporate Governance
Source: OECD (2015)

3.2.3. The United States corporate governance development

In the United States, corporations are regulated by the company law of the state in which they are incorporated and the Securities and Exchange Commission (SEC hereafter) regulations and rules mandated by stock exchanges (Mallin, 2013; Tricker, 2012). Another regulation that is related to corporate governance in the United States is the Sarbanes-Oxley Act 2002.

One of the first regulations related to corporate governance in the United States is the requirement for US publicly listed companies to create an audit committee. The SEC mandated this requirement in 1972. The main objective of this audit committee is to ensure that the board of directors is fully informed of the issues arising between an external auditor and the corporation’s accounting and finance department.

The first statement on corporate governance in the United States was produced by the US Business Roundtable in 1997 and updated in 2002 (Tricker, 2012). This statement listed guiding principles of good corporate governance, which includes responsibility of the board of directors, the responsibility of management, the responsibility of external auditor, and responsibility to its employees. This statement on corporate governance emphasised the importance of fair financial statements and how corporations ensure the fairness of their financial statements by hiring an independent external auditor. This focus on the fairness of financial statements was the result of the Enron and WorldCom financial scandals in early 2000.

The US Congress also responded to those scandals by issuing the Accounting Industry Reform Act 2002, or also known as the Sarbanes-Oxley Act 2002 (Mallin, 2013). Similar to the statement on corporate governance issued by the Business Roundtable, the main focus of this act was also on the fairness of financial statements. The Sarbanes-Oxley Act requires chief executive officers and chief financial officers to certify that quarterly and annual reports of corporations are fully compliant with all regulations and present fair financial statements. Furthermore, the act was also aimed at strengthening the independence of the external auditor and audit committee. In response to this act, the SEC also issued regulations related to the rotation of audit partners and prohibited non-audit services to be provided by the external auditor to their audit clients.

Following this 2002 law, the New York Stock Exchange and the Nasdaq Stock Market proposed new rules on corporate governance which the SEC approved in November 2003. Their focus includes the responsibility of the board of directors, the importance of independent directors, the importance of board committees, and disclosures of corporate governance guidelines and charters of corporate board committees.

3.2.4. The United Kingdom corporate governance development

The United Kingdom produced the first corporate governance report issued by a nation in 1992, the Cadbury Report, and has since produced more reports than another country (Tricker, 2012). The Cadbury Report emphasised the importance of independent non-executive directors, CEO-chairman separation, and the importance of board committees. This was followed by the Greenbury Report (1995), which highlighted directors' remuneration and the remuneration committee. In 1998, the Hampel Report underlined the importance of principles as rules, rather than prescriptive rules, to ensure the effectiveness of good corporate governance. These three reports were combined in 1998 and this became known as the UK Combined Code. This code is mandatory for all publicly listed corporations on the London Stock Exchange.

Various reports were produced following the UK Combined Code. The Turnbull Report (1999, 2005) focused on internal control issues. The Higgs Report (2003), the Tyson Report (2003), and the Davies Report (2011, 2012) concentrated on the board of directors. Other reports dealt with institutional investment and board committees. Together, these reports have influenced the development of corporate governance in the UK. Furthermore, Mallin (2013) argues that the US Sarbanes-Oxley Act 2002 might have influenced corporate governance development in the UK.

3.2.5. Corporate governance models

Corporate governance practices, regulations, and models differ between countries. Generally, these corporate governance models are divided into two types based on different systems of corporate ownership (Aguilera, Desender, & de Castro, 2012; Aguilera & Jackson, 2003, 2010; La Porta et al., 1998; Shleifer & Vishny, 1997). The first is the outsider model, and the second, the insider model. According to the researchers listed above, notable examples of the outsider model of corporate governance are the US and the UK ones. Therefore, the outsider model is also known as Anglo-Saxon model. The insider model of corporate governance is found in Europe and the Asia-Pacific region. This model is also known as the Continental European model.

In the Anglo-Saxon model, corporate ownership is widely held and there are large numbers of shareholders. The managers in the Anglo-Saxon model are more powerful in the decision making process as opposed to the Continental European model, due to dispersed ownership. Furthermore, Bhasa (2004) finds better investor protection and more professional directors and managers in the Anglo-Saxon model. One of the main contributors to better investor protection in this model is the powerful authority to provide strong shareholder protection.

Corporate disclosures are generally well regulated to ensure that all investors receive reliable information for their investment decision making. Another distinction of this Anglo-Saxon model, as opposed to the Continental European model, is frequent takeovers. According to Hillman and Dalziel (2003), external control from the capital market is more effective than control from the board of directors in this model. This is because corporations may be subject to takeover if the managers are unable to maximise the corporation's value.

In contrast, in the Continental European model corporate ownership is concentrated with a single owner or a small group of shareholders having control of the corporation. Unlike the Anglo-Saxon model, where the board of directors and managers mainly focus on corporate value maximisation for their shareholders, in this model the board of directors and managers have to address broad stakeholders' needs (Snyder, 2007).

Bhasa (2004) contends that long-term shareholdings and substantial cross shareholdings between corporations are also common in this model. The substantial long-term shareholdings protect corporations from potential takeover threats. Another distinct difference between the Anglo-Saxon model and the Continental European model lies in disclosure issues. In the latter model, disclosures are rather restricted to selected insiders and controlling shareholders. This is very much in contrast with the Anglo-Saxon model where disclosures are well-regulated to ensure all investors receive similar reliable information.

Corporate governance mechanisms can be characterised as internal or external. Several researchers have investigated how internal and external corporate governance mechanisms impact corporate disclosure (Eng & Mak, 2003; S. S. M. Ho & Wong, 2001; Jaggi & Low, 2000). The following sections discuss these two types of corporate governance mechanisms in more detail.

3.2.6. Internal corporate governance mechanisms

The board of directors constitutes an important internal corporate governance mechanism, as they represent shareholders and are responsible for monitoring the daily management of the corporation. Prior research has investigated the impact of aspects of the board of directors: for example, independent directors, the existence of board committees, and CEO duality (Filatotchev & Nakajima, 2010; Gul & Leung, 2004; S. S. M. Ho & Wong, 2001). These researchers conclude that independent directors and the existence of audit committees are positively associated with corporate disclosures, and CEO duality is negatively associated. However, these findings vary across different ownership characteristics.

Ownership characteristics also form part of internal corporate governance. Shleifer and Vishny (1997) contend that shareholders who hold a substantial portion of shares in corporations play an important role in ensuring that corporate governance mechanisms function well. However, the empirical results of tests for the impact of ownership characteristics on corporate disclosures have been mixed. Although some find that ownership concentration and corporate disclosures are positively associated (Chau & Gray, 2002; Haniffa & Cooke, 2002), this may not be the case in family corporations (Ali et al., 2007; Chau & Gray, 2010; Haniffa & Cooke, 2002). In family corporations, when family members sit on the board of directors, as they already have access to internal information and thus do not demand that information be published (Haniffa & Cooke, 2002).

3.2.7. External corporate governance mechanisms

According to P. Brown, Beekes, and Verhoeven (2011) and Gillan (2006), the most common external corporate governance mechanisms analysed in prior corporate governance and corporate governance disclosures research are the law, the existence of external auditors, and takeovers. However, as takeovers are a distinct characteristic of a corporate governance system where share ownership is generally dispersed, and Indonesian and Malaysian companies are characterised by concentrated ownership, takeovers will not be discussed further.

The law serves as an external corporate governance mechanism by providing protection for shareholders. La Porta et al. (1998) find that different legal origins lead to different levels of shareholder protection, with common law countries providing the highest level of shareholder protection. In relation to corporate disclosures, Jaggi and Low (2000) also find that common law countries provide more extensive disclosure.

While the law serves as an external corporate governance mechanism at the macro level, the external auditor serves as an external mechanism at the meso level. According to Watts and Zimmerman (1983), the external auditor is important to provide assurance to investors over the management of corporate resources. In regards to corporate disclosure, DeAngelo

(1981) find that larger audit firms require fuller disclosure from their client in order to maintain their audit quality and reputation.

3.3. Corporate disclosure

Corporate disclosure provides a form of communication of corporate information between corporations and their stakeholders to allow them to monitor and assess corporate performance (Farvaque et al., 2011; Healy & Palepu, 2001; Monks, 2001). The Canadian Institute of Chartered Accountants defines corporate disclosure as:

> The process used to communicate with stakeholders, regardless of the vehicle used for such communications. It reflects the messages that management needs to convey to investors and other stakeholders, taking into consideration generally accepted accounting principles for financial reporting and relevant regulatory requirements. (Canadian Institute of Chartered Accountants, 2008, p. 1).

Corporate disclosures can be divided into two types, mandatory and voluntary. Voluntary disclosures can be further classified into three different categories: strategic and forward-looking information, financial information and non-financial information (Cotter, Lokman, & Najah, 2011; Meek, Roberts, & Gray, 1995).

While laws and regulations require mandatory disclosures, voluntary disclosures are, by definition, not required to be disclosed (Allegrini & Greco, 2013; Ghazali, 2008; Meek et al., 1995). Clarkson, Van Bueren, and Walker (2006) contend that the quantity of voluntary disclosure is also less than for mandatory disclosures. Voluntary disclosures are defined as:

> Disclosures in excess of requirements - representing free choices on the part of company management to provide accounting and other information deemed relevant to the decision needs of users of their annual report (Meek et al., 1995, p. 555).

According to Dye (2001), corporations will only voluntarily disclose favourable information. However, corporations will not disclose too much information as too many disclosures will be as costly as too few (Core, 2001). This is due to the fact that information may be used by competitors to their advantage (Verrecchia, 1983). However, in some cases, corporate disclosures may also help non-competitors as they serve as a benchmark for other corporations and investors (Dye, 1990; Leuz & Wysocki, 2016). Consequently, this information spillover can be substantial for the market.

In providing disclosures, there are several media for corporations to use. The most traditional way is through traditional paper-based disclosure, generally via annual reports. Although disclosures on the WWW have their advantages, corporations still use annual reports for corporate disclosures. The advantage of annual reports over the WWW is that it usually contains an audited financial report, and thus provides assurance for the corporation's stakeholders (Beattie, McInnes, & Fearnley, 2004). The following section discusses corporate disclosure on the WWW.

3.3.1. Corporate disclosure on the WWW

Traditional paper-based disclosures are less timely compared to WWW disclosures, and therefore less useful to decision makers (Ashbaugh, Johnstone, & Warfield, 1999). There are several other advantages of WWW disclosures: interactive disclosure, more detailed information, lower cost, ability to reach a wider audience, ability to target the intended audience, overcomes the geographical limitations of hard copy reports, creates an open and transparent corporation and addresses the increasing information demands of stakeholders (Cormier, Ledoux, & Magnan, 2009; Lodhia, 2014; Lodhia, Allam, & Lymer, 2004; Xiao, Jones, & Lymer, 2002). Due to these advantages, the WWW is a primary source of corporate information and news (Bubela et al., 2009; Debreceny & Gray, 1999; Wagenhofer, 2003) and has the potential to revolutionise corporate disclosure practices (Xiao, Yang, & Chow, 2004). Regarding traditional paper-based disclosure, Guthrie (2007) describes it as "certainly an endangered species" (p. 518). Hassan, Jaffar, Johl, and Zain (1999) find in their research that generally the benefits of WWW disclosures are greater than its costs both to the corporations and their stakeholders.

Dunne, Helliar, Lymer, and Mousa (2013) found that disclosures on the WWW are common for medium and large corporations in developed countries. Several other earlier researchers have also revealed the same finding (Ashbaugh et al., 1999; Craven & Marston, 1999; Ettredge, Richardson, & Scholz, 2001; Pirchegger & Wagenhofer, 1999). Pirchegger and Wagenhofer (1999) further added that corporate profitability is associated with WWW disclosures in developed countries. However, there could be an issue as to whether WWW disclosure in developing countries is effective as people may not have sufficient access to the internet (Lodhia, 2014). Research from developing countries shows that corporations in developing countries use the WWW to provide corporate disclosures, and corporate size is a significant determinant of WWW disclosures (Bonsón & Escobar, 2006; Hassan et al., 1999).

3.3.2. Benefits and costs of corporate disclosures

According to Farvaque et al. (2011), corporate shareholders and stakeholders will benefit from corporate disclosure. The benefits of corporate disclosure are: increased share value and liquidity, decreased share volatility, increased credibility, decreased cost of capital, better governance, decreased information asymmetry, decreased agency costs, financial scandal avoidance and financial stability improvement (Beyer et al., 2010; Eccles & Mavrinac, 1995; Farvaque et al., 2011; Healy et al., 1999; Healy & Palepu, 2001; Kothari, 2000; Verrecchia, 2001).

Despite the benefits of corporate disclosure, there are also costs associated with them, such as the costs associated with production, dissemination, implementation, competitive position, ownership and litigation (Farvaque et al., 2011; Kothari, 2000; Lev, 1992). Despite the numerous benefits, there are some disadvantages of WWW disclosures as opposed to the traditional paper-based ones. There is the potential for information overload (Debreceny, Gray, & Rahman, 2002), security and trust issues due to the non-regulated nature of WWW disclosure (Xiao et al., 2002) and the set-up and maintenance costs must be considered (Ashbaugh et al., 1999). However, the non-regulated nature of WWW disclosure can also be seen as one of its advantages because corporations can voluntarily disclose information without any regulatory restrictions that limit them in the traditional paper-based disclosures.

3.4. Corporate governance disclosures

Increased information on corporate governance improves the monitoring abilities of shareholders and corporate boards (Hermalin & Weisbach, 2012). Gandía (2008) argues that corporate governance should be disclosed more frequently and that there are several channels for corporations to reveal such information, mainly through annual reports, and on the internet.

Darmadi (2013) investigated the corporate governance disclosures in the annual reports of seven Islamic commercial banks in Indonesia in 2010. This resulted in a corporate governance disclosure index consisting of seven disclosure dimensions: the shariah supervisory board, board of commissioners (supervisory board), board of directors, board committees, internal control and external audit, risk management, and corporate governance implementation reporting. The corporate governance disclosure index in Darmadi's research emphasises the board and management structure and process, and this research concluded that the corporate governance disclosure level in Indonesia is relatively low.

Sharma (2014) conducted a corporate governance disclosure study focusing on the annual reports of 59 randomly selected Nepalese banking and financial corporations in 2010. He created a corporate governance disclosure index consisting of four mandatory disclosure criteria and four voluntary disclosure criteria. Sharma's research documented a positive association between corporate size and corporate governance disclosures (in all types of disclosures: mandatory, voluntary and overall). No association was found between foreign ownership and leverage with corporate governance disclosures.

3.4.1. Corporate governance WWW disclosures

Balachandran and Faff (2015) argue that corporate governance matters should be disclosed promptly. Thus, they agree with Gandía (2008) who argued for disclosures to be made more often than in the once a year annual reports. The WWW is increasingly used by corporations to disclose their corporate governance information throughout the year.

Jurisdictions from around the world are increasingly requiring corporate governance information to be provided on the WWW. In the US, corporations listed on the New York Stock Exchange are required to disclose corporate governance related information (NYSE, 2009, 2010). In the UK, corporations have an obligation to make corporate governance disclosures either in their annual reports or on the WWW (Financial Reporting Council, 2014). In Australia, the ASX Corporate Governance Council prefers corporations to make their corporate governance disclosures on the WWW rather than in the annual report (ASX Corporate Governance Council, 2014).

Gandía (2008), Yabing Jiang et al. (2009), Samaha et al. (2012) and Stewart et al. (2012) have conducted single country studies of corporate governance disclosures on the WWW. Yabing Jiang et al. (2009) provide a description of the content and design of corporate governance WWW disclosures for 30 US corporations, without a comprehensive analysis of the variation within corporations or the determinants of the observed evidence.

Gandía (2008) examines the corporate governance disclosures of 92 Spanish non-financial corporations. He constructed three different indexes. The first index relates to disclosures in annual reports, which consists of three categories (board of directors, ownership structure and other information related to good governance). The second index is the stock market regulator index, also with the same three categories, with some differences in its sub-categories. The third index is an internet-based index, with the three categories above and the annual general meeting added as a fourth. Gandía (2008) concludes that the industry sector is a significant determinant of corporate governance disclosures in all three indexes. Company's listing age has a negative association to corporate governance disclosures in the annual report, and a positive association to corporate governance disclosures on the WWW. He argued that the "older" corporations had begun to concentrate their disclosures on the internet. He cites for the significant determinants of corporate governance disclosure as being analyst following (important in the first and second index) and media visibility (notable in corporate governance WWW disclosures).

Samaha et al. (2012) analysed the corporate governance disclosures made in annual reports and on corporate websites, for 100 of the largest Egyptian corporations. Unlike Gandía (2008), they did not distinguish between the two formats for disclosure thus their results cannot be generalised. The corporate governance disclosure index of UNCTAD (2011) was applied in their research, using each sub-category index as well as the overall index. This resulted in six different corporate governance disclosure indexes. However, the underlying reason for using each of the sub-category indices was not made clear. They find that for the overall index and each of the sub-category indexes, board composition, CEO duality, blockholder ownership and corporate size is significantly associated with the overall corporate governance disclosure index.

The importance of distinguishing between corporate governance disclosures in annual reports and on the WWW in governance disclosure studies was highlighted by Stewart et al. (2012). In their research of WWW governance disclosures of 36 Australian state government departments, they acknowledged that the annual reports are generally available as a downloadable document. Their research found that disclosures in the annual reports dominates those made on the WWW.

3.4.2. UNCTAD corporate governance disclosure benchmark

As indicated in the outline of Samaha et al.'s research and earlier in this thesis, the UNCTAD Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting has developed a corporate governance disclosure benchmark (also known as UNCTAD ISAR benchmark) to assess the transparency of corporate governance disclosures. The benchmark was initially developed and introduced in 2006, with the latest revision in 2011 resulting in 52 disclosure items being included. These 52 items are located within five categories: ownership structure and exercise of control rights, financial transparency, auditing, corporate responsibility and compliance, and board and management structure and process. The details of this benchmark are discussed in the governance disclosures Section 5.5 of Chapter 5.

3.4.3. Corporate governance disclosure regulation in Indonesia and Malaysia

There are three sources of regulations for corporate governance disclosures in Indonesia. These regulations are regarding corporate governance, corporate disclosures in annual reports, and corporate disclosures on the WWW (Indonesian Financial Services Authority, 2015a, 2015b; The Capital Market and Financial Institution Supervisory Agency, 2012). In Malaysia, these are regulated by Bursa Malaysia's listing requirements (Bursa Malaysia, 2016a, 2016b). The major differences between regulations in these two countries are related to the disclosure requirements on the WWW. In Indonesia, there are slight differences in the information needing to be disclosed in annual reports compared with those on the internet. While the process for holding annual general meetings, the availability and accessibility of the meeting agenda, and the nature, type and elements of related-party transactions are mandatory to be placed on the WWW, these items are voluntary in the annual reports. Furthermore, information related to the board's responsibilities regarding financial communications, professional development and training activities, and its performance evaluation process are mandatory in the annual reports but not required to be disclosed on the WWW.

While in Malaysia corporate governance disclosure on the WWW is largely voluntary, with only two mandatory disclosures required, in Indonesia, there are 21 different kinds of corporate governance disclosure information which need to be disclosed on the WWW. In Malaysia, the only two areas of corporate governance disclosure proscribed for release on the internet relate to the process for holding annual general meetings, and the availability and accessibility of the meeting agenda. These are also included in the 21 requirements for Indonesian corporations about corporate governance disclosure on the WWW. There are 17 mandatory disclosure requirements for Malaysian corporations in their annual reports. Some differences exist between these and the parallel requirements for annual reports in Indonesia. These differences are spread across different categories. In terms of the ownership structure and the exercise of control rights, control and corresponding equity stake information is required in annual reports in Indonesia but this is voluntary in Malaysia. For auditing, there is only one mandatory disclosure requirement in Indonesia: information regarding the process for appointment of internal auditors and their scope of work and responsibilities. This information is also mandatory for Malaysian corporations, but Malaysian regulations require two more mandatory disclosures about auditing. These are related to firstly the internal control systems, and secondly auditors` involvement in non-audit work and the fees paid to them.

Disclosures about corporate responsibility and compliance are largely voluntary in Malaysia. Malaysian regulations only require mandatory disclosures for policy and performance in connection with environmental and social responsibilities. While this information is also mandatory in Indonesia, Indonesian regulations require three more mandatory disclosures regarding the code of ethics, and the policy on whistle blower protection.

The final differences concern the board and management structure and process. Five pieces of information are mandatory in Indonesia but are not required to be disclosed in Malaysia. These relate to the composition and functions of the board and committee and its performance evaluation process. There are also three mandatory disclosure requirements in this category in Malaysia which can be disclosed voluntarily in Indonesia. These relate to governance structures, independence of the board, and disclosures regarding the number of outside board and management position directorships held by the directors.

Mandatory corporate governance disclosures in the annual reports in Indonesia, but not in Malaysia	Mandatory corporate governance disclosures in the annual reports in Malaysia, but not in Indonesia
Control and corresponding equity stake	Internal control systems
A code of ethics for the board and waivers to the ethics code	Auditors` involvement in non-audit work and the fees paid to the auditors
A code of ethics for all company employees	Governance structures, such as committees and other mechanisms to prevent conflict of interest
Policy on “whistle blower” protection for all employees	Independence of the board of directors
Composition of board of directors (executives and non-executives)	Number of outside board and management position directorships held by the directors
Composition and function of governance committee structures	
Role and functions of the board of directors	
Types and duties of outside board and management positions	
Performance evaluation process	

Table 3.3. Differences of mandatory corporate governance disclosure requirements in annual reports in Indonesia and Malaysia
Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

Mandatory corporate governance disclosures on the WWW in Indonesia, but not in Malaysia
Ownership structure
Control structure
Control and corresponding equity stake
Financial and operating results
Nature, type and elements of related-party transactions
Process for appointment of internal auditors/scope of work and responsibilities
Policy and performance in connection with environmental and social responsibility
A code of ethics for the board and waivers to the ethics code
A code of ethics for all company employees
Policy on “whistle blower” protection for all employees
Composition of board of directors (executives and non-executives)
Composition and function of governance committee structures
Role and functions of the board of directors
Risk management objectives, system and activities
Qualifications and biographical information on board members
Types and duties of outside board and management positions
Material interests of members of the board and management
Duration of director’s contracts
Determination and composition of directors` remuneration

Table 3.4. Mandatory corporate governance disclosure requirements on the WWW in Indonesia, but not required in Malaysia
Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

Table 3.3 and 3.4 provide a comparison of the different mandatory corporate governance disclosures for annual reports and the WWW in the two countries. For the WWW disclosures, there are two mandatory disclosures in Malaysia and both are also required in Indonesia. Furthermore, there are 19 mandatory disclosures required in Indonesia which are not required in Malaysia. These are listed in table 3.4.

3.5. Summary

The concern over corporate governance started to develop following a series of corporate scandals. The 1992 Cadbury Report was the first corporate governance report to address these corporate governance issues and was soon followed by other reports in other countries. This trend to worldwide corporate governance development has led to the adoption of different corporate governance models in different countries. However, these models can be divided into two broad categories: the outsider model and the insider model. Corporate governance mechanisms can be divided into internal and external mechanisms. Internal corporate governance mechanisms include the board of directors and ownership characteristics. External corporate governance mechanisms include the law and the external auditor.

Corporate disclosures can be divided into mandatory disclosures and voluntary disclosures, depending on whether the specific information is required to be disclosed by corporations according to the law and regulations. Corporations can disclose information through several media, including their annual reports and the WWW. Although there is increasing usage of the WWW for corporate disclosures, corporations still produce and publish their annual reports as this provides assurance for their stakeholders. Many researchers argue that corporate governance disclosures should be made in a timely manner (for example Balachandran and Faff, 2015). Therefore, corporations should utilise WWW more for corporate governance disclosures. This practice has been applied in developed countries, for example, Australia, the UK, and the US. However, the regulation of corporate governance disclosures on the internet in both Indonesia and Malaysia is relatively new.

Regulation in Indonesia requires corporations to disclose around 40% of the 52 items of UNCTAD's corporate governance disclosure benchmark in annual reports. In Malaysia, the proportion is slightly lower, around 30%. Regarding corporate governance disclosures on the WWW, the latest Indonesian regulation released in 2015 mandated corporations to disclose around 40% of those 52 items, with slightly different disclosure items than the mandatory items on the annual reports. However, in Malaysia, the corporate governance WWW disclosures are largely voluntary as there are only two items mandatorily required. The next chapter discusses this research's theoretical framework and hypotheses development. The purpose of these is to provide an analysis of published corporate governance behaviour, both in annual reports and on the WWW, in Indonesia and Malaysia.

The next chapter discusses institutional theory as the theoretical framework employed in this thesis. Chapter 4 further discusses how the three different levels (micro, meso, and macro level) of institutional theory may may be used to explain corporate governance practice and disclosure in Indonesia and Malaysia.

Chapter 4 Theoretical Framework

4.1. Introduction

This thesis employs institutional theory as the theoretical framework for hypothesis development. Institutional theory explains different institutional levels: the micro, meso, and macro levels. It also sets out disparate kinds of institutional isomorphism: coercive, mimetic, and normative isomorphism.

This thesis develops hypotheses around these three institutional levels and explores whether institutional isomorphism of these various types can explain the corporate governance practices and disclosures of Indonesian and Malaysian corporations. At the micro level, this research analyses the impact of a foreign-educated board of directors on corporate governance practice and disclosure. At the meso level, it analyses the impact of family and government ownership, and corporate size on corporate governance practice. Furthermore, this thesis also analyses the impact of corporate governance practice, family and government ownership, and corporate size on corporate governance disclosure at the meso level. Last, this study analyses whether different board structures and legal origins in Indonesia and Malaysia lead to different corporate governance practice and disclosure by corporations in these two countries and whether the new Indonesian administration has an impact, on corporate governance practice and disclosure in that nation.

4.2. Institutional theory

Institutional theory has been used to explain the institutionalised corporate form and why corporations adopt similar structures and practices (AbuGhazaleh, Qasim, & Haddad, 2012; DiMaggio & Powell, 1991; Ingram & Simons, 1995). According to institutional theory, corporations operate within norms and values that are appropriate or acceptable in a particular institution and corporate policies are influenced by the institutions in which corporations operate (Brammer et al., 2012; Oliver, 1997). Davis (2005) contends that institutional theory provides a better understanding of how culture and formal factors influence corporate governance practices.

Oliver (1997) explains that there are three institutional determinant levels of the institutionalised corporate form and practices: the individual, the corporation, and the inter-corporation. Beattie (2014) also confirms this and highlights three levels of accounting disclosure determinants: the micro level (individual), meso level (corporation) and macro level (country). The new institutional trend suggests that cultural factors and historical and political institutions influence corporate strategies and thus will be different across regions or countries (Powell & DiMaggio, 2012). In relation to culture and corporate governance, dela Rama, Volonte, and Zaby (2014) and Tricker (2009) state that different corporate governance principles and models across countries are affected by the contributions of cultural differences, legal differences, stock market differences, and historical differences.

Keim (2003) distinguishes between formal and informal institutions. While formal institutions explain the institutional process at the meso and macro levels, informal institutions do so at the micro level. Both formal and informal institutions are equally important in influencing corporate practices (Briano-Turrent & Rodríguez-Ariza, 2016).

DiMaggio and Powell (1983) propose the concept of institutional isomorphism, a process of institutional homogenisation within the same environmental conditions. Their focus is on how powerful different external forces change corporate practices (Beddewela & Herzig, 2013; Nielsen, Roslender, & Schaper, 2016). DiMaggio and Powell (1983) argue that “today, however, structural change in organisations seems less and less driven by competition or by the need for efficiency” (p. 147). According to them, three mechanisms of institutional isomorphism exist: coercive isomorphism, mimetic isomorphism, and normative isomorphism. Prior research shows that these isomorphism processes improve the corporate position in the market (Schultz & Wehmeier, 2010).

Coercive isomorphism derives from coercive authority and the cultural expectations of the society, and occurring when political influences arise (DiMaggio & Powell, 1983). This institutional change usually reflects the strength of political actors who hold a central position of power and social status (Alon & Dwyer, 2016; Dillard, Rigsby, & Goodman, 2004; Djelic & Quack, 2003; Martínez, Fernández, & Fernández, 2016). As these political actors hold such a powerful position, the institutional change in this mechanism involves law and regulation. Mahoney and Thelen (2010) discern four types of law and regulation changes: displacement, layering, drift, and conversion. While new laws and regulations are introduced through the first two types of changes, this is not the case with drift and conversion. In displacement, the old laws and regulations are completely substituted by the new ones. In layering, new laws and regulations are introduced to complement the old ones. The situation where there is no enforcement of laws and regulations is called drift, and the opportunistic reinterpretation of law and regulation occurs in conversion. These concepts are further explored when the cases of Indonesian and Malaysian corporate governance and disclosures are investigated in more detail later in this thesis in Chapter 6.

Mimetic isomorphism derives from a process where a corporation imitates other successful corporate practices in response to uncertainty (DiMaggio & Powell, 1983; Nielsen et al., 2016). Martínez et al. (2016) add that in mimetic isomorphism, these extend to emulating the processes, and strategies as well as the practices of the most successful corporations.

Normative isomorphism derives from normative pressures from professionals, emphasising that collective values influence corporate practices (DiMaggio & Powell, 1983; Nielsen et al., 2016). These normative pressures may come from professional bodies outside the corporation and professionals inside it. According to Fernández-Alles and Valle-Cabrera (2006), normative isomorphism includes the utilisation of directors' and managers' experience and expertise.

4.3. Hypotheses development

As institutional changes influence corporate practices, this thesis uses institutional theory to explore the determinants of corporate governance practice and disclosure by corporations in Indonesia and Malaysia. To reiterate, institutional theory can explain how these institutional factors through institutional isomorphism on three levels (micro, meso, and macro) influence corporate governance practice and disclosure by corporations in both countries. Following sections discuss the application of different kinds of institutional isomorphism operating at various institutional levels to develop the hypotheses in this thesis. Concurrently in this discussion the hypotheses are set out, together with their rationales. Then the control variables of this thesis are presented, followed by a summary of the chapter.

4.3.1. Micro level

Yi Jiang and Peng (2011) indicate the need to analyse culture as an institutional factor in corporate governance research. According to Aguilera and Jackson (2010), cultural explanations focus on the role of culture in corporate practices and strategic decisions. Culture does not only play a role at a macro level, but also at a micro level where the national culture influences shareholders and corporate boards (Aguilera & Jackson, 2010; Minichilli et al., 2012; Van Veen & Elbertsen, 2008). This section discusses the impact of culture at a micro level on corporate governance disclosures.

Hofstede's cultural dimensions (Hofstede, 1980) and Gray's secrecy hypotheses (Gray, 1988) have been applied in many prior studies where the culture relevant to disclosures is analysed at the macro level. It could be concluded that only uncertainty avoidance and individualism have been found to have a significant impact on disclosure in the majority of previous research (Gray & Vint, 1995; Jaggi & Low, 2000; Sudarwan & Fogarty, 1996) and that these cultural dimensions vary within different legal regimes (Hope, 2003; Jaggi & Low, 2000). However, Hofstede's cultural dimensions are cultural measurements for the whole nation (at the macro level) and are not a cultural measurement for individuals (at the micro level). Several researchers are also critical of the usage of Hofstede's cultural dimensions in accounting research (Baskerville, 2003; Heidhues & Patel, 2011).

In regard to culture in a corporation, the culture of influential individuals is more important than the dominant culture of the nation's entire population (Merchant et al., 1995). Hambrick and Mason (1984) also support the importance of influential individuals by suggesting that organisational outcomes are viewed as reflections of the value of these influential individuals in a corporation. Based on their national origin, influential individuals not only contribute to the collective formulation of cultural norms and views, they experience social reinforcement pressures which bring their individual-level assumptions and preferences into close alignment with those of their native culture (Geletkanycz, 1997). Furthermore, as corporate governance guidance and codes in Indonesia and Malaysia are mostly adopted and adapted from foreign countries, it is expected that foreign influence on the board is significantly associated with corporate governance practice and disclosure.

As Hofstede's cultural dimensions are intended to measure the culture of the whole nation (at the macro level) rather than individuals (at the micro level), this research uses different proxies to measure culture at the micro level. Two different proxies are used in this research based on the corporate board.

The corporate board itself is used as a proxy for micro level culture as its members are influential individuals in a corporation. They represent the interests of corporate owners and monitor the corporation's management (Filatotchev & Nakajima, 2010). While corporate disclosures are the product of management decisions (Healy & Palepu, 2001; Meek et al., 1995), it is believed that the corporate board is responsible for the corporate disclosure decisions due to board members' function, influence, and responsibility. Prior research also documents that influential individuals may affect corporate governance and corporate disclosure (Amran & Devi, 2008; Amran & Haniffa, 2011; Bebbington, Higgins, & Frame, 2009; M. A. Islam & Deegan, 2008; Rahaman, Lawrence, & Roper, 2004). Following previous research in corporate governance, the supervisory board is used instead of the management board in dual-board countries (Balsmeier, Bermig, & Dilger, 2013; Fauver & Fuerst, 2006; Jackowicz & Kowalewski, 2012; Lausten, 2002; Lin & Liu, 2009; Siregar & Utama, 2008).

To measure culture at the micro level, this study uses the percentage of the board which is foreign-educated. Education could be used as an indicator of individual values (Hambrick & Mason, 1984) and is a crude measure of professional status (Grace, Ireland, & Dunstan, 1995). In relation to corporate disclosures, Reeb and Zhao (2013) argue that highly-educated boards are concerned with maintaining their reputations by reducing information asymmetry with corporate disclosures. Furthermore, Merchant et al. (1995) also highlight the Western influence in education which has contributed to the change of influential individuals' culture in a corporation.

These foreign-educated directors are expected to exercise normative isomorphism in the corporation to improve corporate governance practice and disclosure. This leads to Hypothesis 1 which is stated in the null form. All of the hypotheses in this thesis are stated in the null as the null hypothesis significance testing is commonly used method of analysis of data collected in social science and allow researcher's judgment in the interpretation of the results (Nickerson, 2000).

Hypothesis 1a: *There is no association between the percentage of the board of directors who are foreign-educated and corporate governance practice.*

Hypothesis 1b: *There is no association between the percentage of the board of directors who are foreign-educated and the extent of corporate governance disclosure.*

4.3.2. Meso level

This section discusses several institutional determinants at the meso level that might have an impact on corporate governance practice and disclosure by corporations in Indonesia and Malaysia.

4.3.2.1. Corporate governance practice

Better corporate governance practices are known to be positively associated with improved disclosure and transparency (Hutton, 2007). Prior studies provide empirical evidence of these associations, with some measuring the quality of corporate governance mechanisms using different individual proxies. Some of these proxies are: independent directors (Barros, Boubaker, & Hamrouni, 2013; Chang & Sun, 2009; Gisbert & Navallas, 2013; Huafang & Jianguo, 2007), the existence of an audit committee (S. S. M. Ho & Wong, 2001) and the frequency of audit committee meetings (Barros et al., 2013); all of which have been found to be positively associated with corporate disclosures. Due to these findings, the quality of corporate governance mechanisms might be expected to drive corporate governance disclosures.

This research uses the score of corporate governance mechanisms devised by Sawicki (2009) to measure corporate governance practice. She conducted her research on corporate governance in Southeast Asia and developed nine criteria with which to rate internal corporate governance mechanisms. Each criterion is a dichotomous variable, with a score of one if the corporation met the criterion, and zero otherwise. Thus, the maximum score of the internal corporate governance index is nine. Consequently, a high score in Sawicki's measure of corporate governance practice is expected to create normative pressure for the corporation. This normative pressure exists due to high expectations concerning corporate governance performance and transparency over the corporate governance information. This leads to Hypothesis 2 which is stated in the null form.

Hypothesis 2: There is no association between corporate governance practice and the extent of corporate governance disclosures.

4.3.2.2. Family and government ownership

Corporate governance in Southeast Asia has been characterised by significant family and government ownership (Claessens & Fan, 2002). The major concern caused by such concentrated ownership is that controlling shareholders might pursue their self-interest at the expense of corporate performance and the interests of minority shareholders (Claessens & Fan, 2002; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

In relation to the meso level of institutional analysis, Aguilera, Rupp, Williams, and Ganapathi (2007) contend that shareholder interests are instrumental drivers of corporate practices. Corporate governance practice and disclosure in family- and government-owned corporations are both likely to be influenced by the mimetic isomorphism of other family and government-owned corporations. Thus, if the majority of family- and government-owned corporations produce a low level of corporate governance practice and a low quantity of corporate governance disclosures, there is no mimetic pressure for these corporations to improve their corporate governance practice and disclosure.

Compared to other corporations, both family and government-owned corporations have fewer problems associated with the separation of ownership and management (Ali et al., 2007). These corporations face more problems between controlling and non-controlling shareholders, because of their significant ownership concentration and control over the corporations' board of directors. These characteristics raise interesting issues about the impact of competing interests on corporate governance practice and disclosure of these corporations. To capture the effects of this capital structure on corporate governance practice and disclosure, this research uses an indirect approach by using ownership concentration as measures of family and government ownership, following prior research (for example Chen et al. (2011)).

S. S. M. Ho and Wong (2001) argue that voluntary disclosures are not necessary for family corporations as family members are usually involved in the daily operations of corporations, part of or the entire board of directors and thus are able to monitor managers directly. Family corporations may benefit from a lack of transparency in their corporate governance practices, facilitating the appointment of family members as board members without much interference from non-family shareholders (Ali et al., 2007). Empirical evidence shows that family corporations provide less voluntary disclosures in general and less voluntary disclosures related to their corporate governance (Al-Akra & Hutchinson, 2013; Ali et al., 2007; Ghazali & Weetman, 2006). Thus, it is expected that family ownership is negatively associated with corporate governance practice and disclosure. This leads to the following hypothesis, stated in the null.

Hypothesis 3a: There is no association between the extent of family ownership and corporate governance practice.

Hypothesis 3b: There is no association between the extent of family ownership and the extent of corporate governance disclosures.

A predominant characteristic of government-controlled corporations, particularly in command-type economies, is the lack of autonomy where corporations deliver all revenues to the government (Ferguson, Lam, & Lee, 2002). Government-owned corporations are found to enjoy various benefits, such as preferential treatment as the government is the regulator, creditor, consumer and producer (Tian & Estrin, 2008).

Recent reform has seen increased management autonomy under which the government is only entitled to a dividend on its share in the corporations. Despite increased management autonomy, the government may exploit the corporations it owns (Shleifer & Vishny, 2002) and treat them as cash cows (Ding, Jia, Wu, & Zhang, 2014). Much of the research on government-owned corporations has found negative effects of government ownership on corporate performance which indicate that they are poorly managed (for example Megginson, Nash, Netter, and Poulsen (2004) and Wei, Varela, D'Souza, and Hassan (2003)). Tian and Estrin (2008) documented that the positive association of government share ownership on political interference by the diversion of corporate wealth for political uses, while Ding et al. (2014) argue that the political responsibilities of government-owned corporations hinder their responsibility to maximise shareholder value. Ang and Ding (2006) also investigated this general area, exploring the controversy of the appointments of a government-owned corporation board of directors, which highlights the less democratic practices of this type of corporation.

With high levels of government interest and influence on government-owned corporations, it is predicted that governments do not invest in quality corporate governance practice and disclosure. Therefore, it is expected that government ownership is negatively associated with corporate governance practice and disclosure. This leads to the following hypothesis, stated in the null.

Hypothesis 4a: There is no association between the extent of government ownership and corporate governance practice.

Hypothesis 4b: There is no association between the extent of government ownership and the extent of corporate governance disclosures.

4.3.2.3. Corporate size

Larger corporations face higher information demands (Lang & Lundholm, 1993), lower information production costs (Dye, 1990; Leftwich, Watts, & Zimmerman, 1981) and disclose more information to reduce information asymmetry (Sharma, 2014). Previous research documents a positive relationship between corporate size and corporate governance practice and disclosure (Eng & Mak, 2003; Inchausti, 1997; Meek et al., 1995; Samaha et al., 2012). According to Samaha et al. (2012), larger corporations tend to have a better corporate governance practice as they have more independent directors and expert governance committees. Furthermore, Klapper and Love (2004) contend that larger corporations have greater agency problems and this needs to be compensated for with better corporate governance practice.

According to Jennings and Zandbergen (1995), practices in large corporations are more likely to be influenced by mimetic isomorphism, especially if particular practices provide a competitive advantage. Palenberg, Reinicke, and Witte (2006) also support this, contending that competitors' practices and mimetic pressures are important factors in corporate disclosure practices. This leads to the following hypothesis, stated in the null.

Hypothesis 5a: There is no association between the size of the corporation and corporate governance practice.

Hypothesis 5b: There is no association between the size of the corporation and the extent of corporate governance disclosures.

4.3.3. Macro level

This section discusses several institutional determinants at the macro level that might have an impact on differences in corporate governance practice and disclosure by corporations in Indonesia and Malaysia.

4.3.3.1. New administration

As discussed previously, there has not been much change in Malaysia as the current prime minister has governed Malaysia since 2009. In Indonesia, a new president emerged in 2014 with a background dissimilar to all prior presidents. His commitment to transparency and good governance has led to a series of deregulation and de-bureaucratisation policies, including those related to corporate governance and corporate disclosures, to exercise coercive isomorphism. Furthermore, he has also shown concern over the low level of foreign investment in Indonesia, which can lead to improvements in the corporate governance and disclosure of Indonesian corporations in order to attract more foreign investment. A recent ADB report shows that Indonesian corporations rated the second worst regarding transparency and disclosure and in their overall corporate governance in 2013, only better than Vietnam (ADB, 2014).

In 2015, the Indonesian Financial Services Authority released two new regulations about corporate disclosures on the web and corporate governance of publicly listed companies. These regulations complement regulation about corporate disclosures in the annual reports, and the code of corporate governance. Both Indonesia and Malaysia introduced codes of corporate governance for the first time in 2000. While Malaysia has adopted a comply or explain approach from the code's inception, Indonesia only took up this approach following a reform of the regulation in 2015.

Therefore, it can be argued that coercive isomorphism may be in place in Indonesia since the new administration assumed office in 2014, with the effect of improving corporate governance practice and disclosure by corporations in that country.

4.3.3.2. Different board structures

As explained in Chapter 2, while Indonesia has adopted a dual board structure, Malaysia has a structure of single boards. Company Law 2007 requires all Indonesian companies to have a management board and a supervisory board. This supervisory board has the same function as the board of directors in the single board structure. However, all members of the supervisory board in Indonesia are non-executives. This study follows prior research to use the supervisory board as the 'board of directors', instead of the management board, in dual board countries (Balsmeier et al., 2013; Fauver & Fuerst, 2006; Jackowicz & Kowalewski, 2012; Lausten, 2002; Lin & Liu, 2009; Siregar & Utama, 2008).

Breuer and Salzmann (2012) associate single board countries with an outsider corporate governance system, and dual board countries with an insider corporate governance system. Thus corporate boards play an important role within the insider corporate governance system. In contrast, they only have a limited role in the outsider corporate governance system. As Indonesia has adopted the dual board structure and Malaysia has the single board structure, it can be argued that the board of directors in Indonesia plays a more important role as compared to in Malaysia. Boards of directors are expected to exercise normative isomorphism in the corporation for the improvement of corporate governance practice and disclosure.

4.3.3.3. Legal origin

According to La Porta et al. (1998), common law countries have the strongest legal protections for investors and French civil law countries the weakest. While Malaysia is a common law country, Indonesia is historically influenced to a large extent by French civil law. This may provide an indication that legal protections for investors in Malaysia are better than in Indonesia. Such a view is endorsed by another related study which shows that countries with an outsider corporate governance system provide stronger minority shareholders protection as opposed to those with an insider corporate governance system (La Porta et al., 1998; Noordin & Supramaniam, 2016). Although some researchers (Gilson, 2006; Millar, Eldomiaty, Choi, & Hilton, 2005) have categorised both countries within same corporate governance system, this is invalid as the corporate governance system in Malaysia clearly resembles the Anglo-Saxon/outsider corporate governance system (Alnasser, 2012; Gomez, 2004; Singam, 2003). Thus, this also supports the indication that legal protections in Malaysia are better than Indonesia. In regard to corporate disclosures, Jaggi and Low (2000) have found that corporations from common law countries provide more disclosures as opposed to those from civil law countries.

The origin of the legal system is influential on corporate governance practice and corporate disclosure and how they provide legal protections for shareholders. Thus, it can be argued that the legal origin places coercive pressure to ensure a corporation’s practices do not violate shareholders’ rights.

From the discussion of three sections of the macro level above, this thesis hypothesises the following, stated in the null.

Hypothesis 6a: There is no difference between the corporate governance practices of Indonesia and Malaysia.

Hypothesis 6b: There is no difference between the corporate governance disclosures of Indonesia and Malaysia.

4.3.4. Control variables

This section discusses the control variables applied in the research for this thesis.

4.3.4.1. Leverage

Corporations with higher debt have greater incentive to provide more disclosures to facilitate their borrowing activities and satisfy the information needs of their creditors (Chow & Wong-Boren, 1987; Kang & Gray, 2011; Meek et al., 1995; Wallace, Naser, & Mora, 1994). Jensen and Meckling (1976) contend that these corporations have higher agency costs due to the increased potential for wealth transfer from debtholders to shareholders. Therefore, corporations are interested in reducing their agency costs by providing more disclosures. Previous studies document a significant relationship between leverage and corporate governance practice and disclosure (Archambault & Archambault, 2003; Bradbury, 1992; Eng & Mak, 2003; Jaggi & Low, 2000; Meek et al., 1995). To control for this factor, this study includes leverage in its regression model.

4.3.4.2. Profitability

Researchers find that more profitable corporations provide more corporate disclosures to inform stakeholders about their performance and to avoid underestimation of their corporate value (Archambault & Archambault, 2003; Gallery, Cooper, & Sweeting, 2008; Inchausti, 1997; Wallace et al., 1994). However, corporations may also use corporate disclosures to provide an explanation for their poor performance to their stakeholders. Previous studies document a significant relationship between profitability and corporate governance practice and disclosure (Gallery et al., 2008; Inchausti, 1997; Owusu-Ansah, 1998; Singhvi & Desai, 1971; Wallace et al., 1994). To control for this factor, this thesis includes profitability in the regression model.

4.3.4.3. Growth opportunities

Growth opportunities for a corporation will be reflected in its market value, and this research uses Tobin’s Q to measure growth opportunities following several prior studies (Ashbaugh et al., 1999; Gugler, Mueller, & Yurtoglu, 2004; Klapper & Love, 2004). The higher the level of growth opportunities of a corporation, the harder it is to value due to the higher level of information asymmetry (Stanny & Ely, 2008). Therefore, a corporation is expected to provide more disclosure to reduce the information asymmetry (Verrecchia, 2001). To control for this factor, this thesis includes growth opportunities in the regression model.

The following figure summarises and categorises the variables in this thesis according to the institutional level (micro, meso, and macro) at which they operate and the relevant form of institutional isomorphism (normative, mimetic, and coercive).

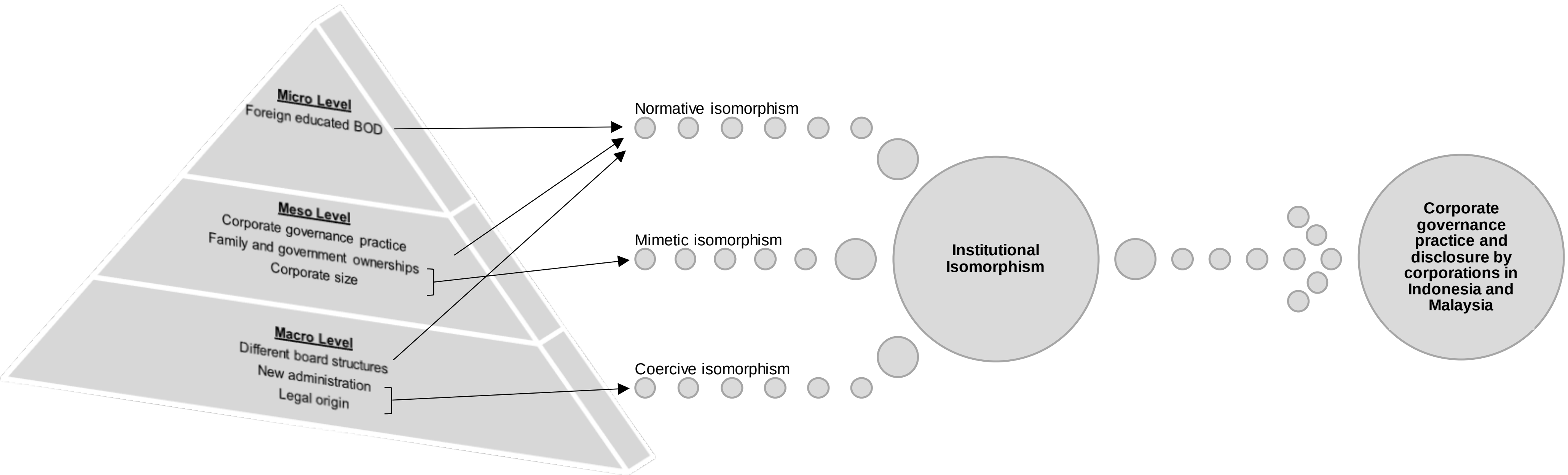


***Figure 4.1**.* Institutional isomorphism on corporate governance practice and disclosure by corporations in Indonesia and Malaysia

4.4. Summary

Institutional theory is applied as the theoretical framework to explain the determinants of institutionalised corporate governance practices and disclosure. The notion of three institutional levels can be used to account for corporate governance practice and disclosure by corporations in Indonesia and Malaysia. At the micro level, it is contended in this study that normative pressures through a foreign-educated board influence corporate governance practice and disclosure by corporations in Indonesia and Malaysia. At the meso level, it is proposed that normative and mimetic isomorphism exercise pressures on corporations. Corporate governance practice, measured by a corporate governance score, serves to evoke normative isomorphism. Family and government ownership and corporate size serve as mimetic isomorphic influences as it is argued corporations will mimic the corporate governance practice and disclosure of those corporations similar to them. At the macro level, this research posits that normative isomorphism and coercive isomorphism are influential in determining corporate governance practice and disclosure. Different board structures, the dual board in Indonesia and the single board in Malaysia, exercise different normative pressures and therefore it is expected that both countries have different extents of corporate governance practice and disclosure. Furthermore, coercive pressures through the new administration in Indonesia, and the dissimilar legal origins and national cultures of Indonesia and Malaysia can explain differences in corporate governance practice and disclosure by corporations in both countries. The next chapter discusses the research methodology used in this thesis.

Chapter 5 Research Methodology

5.1. Introduction

This chapter explains the research methodology employed to test the hypotheses developed in Chapter 4. Section 5.2 discusses sample selection and Section 5.3 details the study period. The next section (5.4), outlines the data sources used for this thesis. Sections 5.5 to 5.9, discuss the measurement of dependent variables, independent variables, and control variables. Section 5.10 provides the models used to test the hypotheses, and Section 5.11 concludes this chapter with a summary.

5.2. Sample selection

The top 200 publicly listed corporations in each of Indonesia and Malaysia make up the research sample. Market capitalisation was the tool used to identify the top 200 corporations listed in Indonesia and Malaysia. The following table provides market capitalisation data, and number of listed corporations in Indonesia and Malaysia in 2015. The top 200 corporations in each jurisdiction represents around 90% of total market capitalisation of their stock exchanges.

Country	**Market capitalisation (in current millions USD)**	**Number of listed corporations**	**Total market capitalisation (in current millions USD) of top 200 corporations**
Indonesia	353,270.96	521	312,188.29
Malaysia	382,976.65	892	360,223.80

Table 5.1. Market capitalisation, and number of listed corporations in Indonesia and Malaysia in 2015.
Source: World of Federation Exchange database, http://www.world-exchanges.org/home/.

5.3. Study period

This thesis analyses the corporate governance disclosures of the sample Indonesian and Malaysian corporations made in the 2015 annual reports. Furthermore, for corporate governance disclosures of Indonesian corporations on the WWW, the data was collected from February to March 2016. Data collection for corporate governance disclosures of Malaysian corporations on the WWW was conducted from September to October 2016.

5.4. Data sources

All annual reports were downloaded from each corporate website or from the respective country's stock exchange website. For analysis of WWW disclosures, all content was analysed from the actual corporate websites within the study period specified above. The primary source for data on the independent variables was the annual reports. In the event that annual reports did not provide such information, this study used secondary sources such as the corporate website, Bloomberg database, and LinkedIn.

5.5. Corporate governance disclosures

As the dependent variable, the UNCTAD corporate governance disclosures benchmark (UNCTAD, 2006, 2011) was adopted to create the score used. All disclosures in the annual reports and on the WWW were categorised using this list, i.e., whether the disclosure was present or absent in each list. If it was disclosed, the score of that particular item was 1. Therefore, the maximum score of corporate governance disclosures in an annual report is 52. For disclosures on the WWW, all sections of the corporate website (including all downloadable documents, but excluding the annual report) were analysed against this list. Applying a similar method as with the annual report, the maximum score of corporate governance disclosures on the WWW was also 52. Table 5.2 summarises the 52 corporate governance disclosure items analysed in this thesis.

To extend the analysis of corporate governance disclosures, this research also provides an analysis of both mandatory and voluntary corporate governance disclosures. However, as the disclosure regulations in Indonesia and Malaysia are different, the data for both countries is analysed separately in regard to the mandatory and voluntary corporate governance disclosures. The following tables summarise mandatory and voluntary corporate governance disclosures in Indonesia and Malaysia, for the disclosures in the annual reports and on the WWW. The maximum scores of mandatory corporate governance disclosures of Indonesian and Malaysian corporations in the annual reports are 21 and 17 respectively. For the WWW disclosures, while the maximum score of mandatory corporate governance disclosures in Indonesia is 21, in Malaysia it is only 2.

No.	Disclosure Item
	Ownership Structure and Exercise of Control Rights
1	Ownership structure
2	Process for holding annual general meetings
3	Changes in shareholdings
4	Control structure
5	Control and corresponding equity stake
6	Availability and accessibility of meeting agenda
7	Control rights
8	Rules and procedures governing the acquisition of corporate control in capital markets
9	Anti-takeover measures
	Financial Transparency
10	Financial and operating results
11	Critical accounting estimates
12	Nature, type and elements of related-party transactions
13	Company objectives
14	Impact of alternative accounting decisions *(judgement)*
15	The decision-making process for approving transactions with related parties
16	Rules and procedures governing extraordinary transactions
17	Board's responsibilities regarding financial communications
	Auditing
18	Process for interaction with internal auditors
19	Process for interaction with external auditors
20	Process for appointment of external auditors
21	Process for appointment of internal auditors/scope of work and responsibilities
22	Board confidence in independence and integrity of external auditors
23	Internal control systems
24	Duration of current auditors
25	Rotation of audit partners
26	Auditors` involvement in non-audit work and the fees paid to the auditors
	Corporate Responsibility and Compliance
27	Policy and performance in connection with environmental and social responsibility
28	Impact of environmental and social responsibility policies on the firm's sustainability
29	A code of ethics for the board and waivers to the ethics code
30	A code of ethics for all company employees
31	Policy on "whistle blower" protection for all employees
32	Mechanisms protecting the rights of other stakeholders in business
33	The role of employees in corporate governance
	Board and Management Structure and Process
34	Governance structures, such as committees and other mechanisms to prevent conflict of interest
35	"Checks and balances" mechanisms
36	Composition of board of directors (executives and non-executives)
37	Composition and function of governance committee structures
38	Role and functions of the board of directors
39	Risk management objectives, system and activities
40	Qualifications and biographical information on board members
41	Types and duties of outside board and management positions
42	Material interests of members of the board and management
43	Existence of plan of succession
44	Duration of director's contracts
45	Compensation policy for senior executives departing the firm as a result of a merger or acquisition
46	Determination and composition of directors` remuneration
47	Independence of the board of directors
48	Number of outside board and management position directorships held by the directors
49	Existence of procedure(s) for addressing conflicts of interest among board members
50	Professional development and training activities
51	Availability and use of advisorship facility during reporting period
52	Performance evaluation process

Table 5.2. Corporate governance disclosure score used in this research
Source: UNCTAD (2011)

Mandatory disclosures in the annual report in Indonesia	***Mandatory disclosures in the annual report in Malaysia***
Ownership structure	Ownership structure
Control structure	Control structure
Control and corresponding equity stake	
Financial and operating results	Financial and operating results
Board's responsibilities regarding financial communications	Board's responsibilities regarding financial communications
Process for appointment of internal auditors/scope of work and responsibilities	Process for appointment of internal auditors/scope of work and responsibilities
Policy and performance in connection with environmental and social responsibility	Policy and performance in connection with environmental and social responsibility
A code of ethics for the board and waivers to the ethics code	
A code of ethics for all company employees	
Policy on "whistle blower" protection for all employees	
Composition of board of directors (executives and non-executives)	
Composition and function of governance committee structures	
Role and functions of the board of directors	
Risk management objectives, system and activities	Risk management objectives, system and activities
Qualifications and biographical information on board members	Qualifications and biographical information on board members
Types and duties of outside board and management positions	
Material interests of members of the board and management	Material interests of members of the board and management
Duration of director's contracts	Duration of director's contracts
Determination and composition of directors` remuneration	Determination and composition of directors` remuneration
Professional development and training activities	Professional development and training activities
Performance evaluation process	
	Internal control systems
	Auditors` involvement in non-audit work and the fees paid to the auditors
	Governance structures, such as committees and other mechanisms to prevent conflict of interest
	Independence of the board of directors
	Number of outside board and management position directorships held by the directors

Table 5.3. Mandatory corporate governance disclosure score in the annual reports in Indonesia and Malaysia used in this research

Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

Voluntary disclosures in the annual report in Indonesia	*Voluntary disclosures in the annual report in Malaysia*
Process for holding annual general meetings	Process for holding annual general meetings
Changes in shareholdings	Changes in shareholdings
Availability and accessibility of meeting agenda	Availability and accessibility of meeting agenda
Control rights	Control rights
Rules and procedures governing the acquisition of corporate control in capital markets	Rules and procedures governing the acquisition of corporate control in capital markets
Anti-takeover measures	Anti-takeover measures
Critical accounting estimates	Critical accounting estimates
Nature, type and elements of related-party transactions	Nature, type and elements of related-party transactions
Company objectives	Company objectives
Impact of alternative accounting decisions *(judgement)*	Impact of alternative accounting decisions *(judgement)*
The decision-making process for approving transactions with related parties	The decision-making process for approving transactions with related parties
Rules and procedures governing extraordinary transactions	Rules and procedures governing extraordinary transactions
Process for interaction with internal auditors	Process for interaction with internal auditors
Process for interaction with external auditors	Process for interaction with external auditors
Process for appointment of external auditors	Process for appointment of external auditors
Board confidence in independence and integrity of external auditors	Board confidence in independence and integrity of external auditors
Internal control systems	
Duration of current auditors	Duration of current auditors
Rotation of audit partners	Rotation of audit partners
Auditors` involvement in non-audit work and the fees paid to the auditors	
Impact of environmental and social responsibility policies on the firm's sustainability	Impact of environmental and social responsibility policies on the firm's sustainability
Mechanisms protecting the rights of other stakeholders in business	Mechanisms protecting the rights of other stakeholders in business
The role of employees in corporate governance	The role of employees in corporate governance
Governance structures, such as committees and other mechanisms to prevent conflict of interest	
"Checks and balances" mechanisms	"Checks and balances" mechanisms
Existence of plan of succession	Existence of plan of succession
Compensation policy for senior executives departing the firm as a result of a merger or acquisition	Compensation policy for senior executives departing the firm as a result of a merger or acquisition
Independence of the board of directors	
Number of outside board and management position directorships held by the directors	
Existence of procedure(s) for addressing conflicts of interest among board members	Existence of procedure(s) for addressing conflicts of interest among board members
Availability and use of advisorship facility during reporting period	Availability and use of advisorship facility during reporting period
	Control and corresponding equity stake
	A code of ethics for the board and waivers to the ethics code
	A code of ethics for all company employees
	Policy on "whistle blower" protection for all employees
	Composition of board of directors (executives and non-executives)
	Composition and function of governance committee structures
	Role and functions of the board of directors
	Types and duties of outside board and management positions
	Performance evaluation process

Table 5.4. Voluntary corporate governance disclosure score in the annual reports in Indonesia and Malaysia used in this research

Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

Mandatory disclosures on the WWW in Indonesia	***Mandatory disclosures on the WWW in Malaysia***
Ownership structure	
Process for holding annual general meetings	Process for holding annual general meetings
Control structure	
Control and corresponding equity stake	
Availability and accessibility of meeting agenda	Availability and accessibility of meeting agenda
Financial and operating results	
Nature, type and elements of related-party transactions	
Process for appointment of internal auditors/scope of work and responsibilities	
Policy and performance in connection with environmental and social responsibility	
A code of ethics for the board and waivers to the ethics code	
A code of ethics for all company employees	
Policy on “whistle blower” protection for all employees	
Composition of board of directors (executives and non-executives)	
Composition and function of governance committee structures	
Role and functions of the board of directors	
Risk management objectives, system and activities	
Qualifications and biographical information on board members	
Types and duties of outside board and management positions	
Material interests of members of the board and management	
Duration of director’s contracts	
Determination and composition of directors` remuneration	

Table 5.5. Mandatory corporate governance disclosure score on the WWW in Indonesia and Malaysia used in this research

Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

Voluntary disclosures on the WWW in Indonesia	***Voluntary disclosures on the WWW in Malaysia***
Changes in shareholdings	Changes in shareholdings
Control rights	Control rights
Rules and procedures governing the acquisition of corporate control in capital markets	Rules and procedures governing the acquisition of corporate control in capital markets
Anti-takeover measures	Anti-takeover measures
Critical accounting estimates	Critical accounting estimates
Company objectives	Company objectives
Impact of alternative accounting decisions *(judgement)*	Impact of alternative accounting decisions *(judgement)*
The decision-making process for approving transactions with related parties	The decision-making process for approving transactions with related parties
Rules and procedures governing extraordinary transactions	Rules and procedures governing extraordinary transactions
Board's responsibilities regarding financial communications	Board's responsibilities regarding financial communications
Process for interaction with internal auditors	Process for interaction with internal auditors
Process for interaction with external auditors	Process for interaction with external auditors
Process for appointment of external auditors	Process for appointment of external auditors
Board confidence in independence and integrity of external auditors	Board confidence in independence and integrity of external auditors
Internal control systems	Internal control systems
Duration of current auditors	Duration of current auditors
Rotation of audit partners	Rotation of audit partners
Auditors` involvement in non-audit work and the fees paid to the auditors	Auditors` involvement in non-audit work and the fees paid to the auditors
Impact of environmental and social responsibility policies on the firm's sustainability	Impact of environmental and social responsibility policies on the firm's sustainability
Mechanisms protecting the rights of other stakeholders in business	Mechanisms protecting the rights of other stakeholders in business
The role of employees in corporate governance	The role of employees in corporate governance
Governance structures, such as committees and other mechanisms to prevent conflict of interest	Governance structures, such as committees and other mechanisms to prevent conflict of interest
"Checks and balances" mechanisms	"Checks and balances" mechanisms
Existence of plan of succession	Existence of plan of succession
Compensation policy for senior executives departing the firm as a result of a merger or acquisition	Compensation policy for senior executives departing the firm as a result of a merger or acquisition
Independence of the board of directors	Independence of the board of directors
Number of outside board and management position directorships held by the directors	Number of outside board and management position directorships held by the directors
Existence of procedure(s) for addressing conflicts of interest among board members	Existence of procedure(s) for addressing conflicts of interest among board members
Professional development and training activities	Professional development and training activities
Availability and use of advisorship facility during reporting period	Availability and use of advisorship facility during reporting period
Performance evaluation process	Performance evaluation process
	Ownership structure
	Control structure
	Control and corresponding equity stake
	Financial and operating results

Voluntary disclosures on the WWW in Indonesia	Voluntary disclosures on the WWW in Malaysia
	Nature, type and elements of related-party transactions
	Process for appointment of internal auditors/scope of work and responsibilities
	Policy and performance in connection with environmental and social responsibility
	A code of ethics for the board and waivers to the ethics code
	A code of ethics for all company employees
	Policy on "whistle blower" protection for all employees
	Composition of board of directors (executives and non-executives)
	Composition and function of governance committee structures
	Role and functions of the board of directors
	Risk management objectives, system and activities
	Qualifications and biographical information on board members
	Types and duties of outside board and management positions
	Material interests of members of the board and management
	Duration of director's contracts
	Determination and composition of directors` remuneration

Table 5.6. Voluntary corporate governance disclosure score on the WWW in Indonesia and Malaysia used in this research

Source: Bursa Malaysia (2016a, 2016b), Indonesian Financial Services Authority (2015b), The Capital Market and Financial Institution Supervisory Agency (2012), UNCTAD (2011)

This thesis also uses corporate governance practice as another dependent variable. A description and rationale for the measurement of corporate governance practice is available in Section 5.7.1 below.

5.6. Micro level variables

The proportion of foreign educated directors is the proxy used to measure the institutional impact at the micro level. As prior research (Aguilera & Jackson, 2010; Geletkanycz, 1997; Hambrick & Mason, 1984; Merchant et al., 1995; Minichilli et al., 2012; Van Veen & Elbertsen, 2008) indicated that foreign influence may have an impact on corporate governance practice and disclosure, this study uses foreign education to measure this by referring to the proportion of company directors with a history of education in a country other than the home country of the corporation. This was done because the amount of time spent by the director in their study abroad may bring foreign influence to the board that can potentially be related to the company's corporate governance disclosures.

5.7. Meso level variables

5.7.1. Corporate governance practice

This thesis uses a corporate governance score based on the nine criteria listed in Table 5.7 to measure corporate governance practice. This corporate governance score has been developed by Sawicki (2009) for her research in Southeast Asia. Each criterion in this score is a dichotomous variable, with a score of one if the corporation met the criterion, and zero otherwise. Thus, the maximum corporate governance score is nine.

Nine criteria of corporate governance score	
Board of Directors	One-third independence of the board, as measured by the number of independent directors divided by total number of directors
	Chairman and CEO separation
	Largest director's shareholding (as measured using direct interest and deemed interest divided by total issued shares) below 5% of issued capital
Audit	Existence of an audit committee
	Disclosure of frequency of audit committee meeting
	Expertise of audit committee
	Engagement of Big Four auditors[1]
Remuneration	Existence of a remuneration committee
Nomination	Existence of a nomination committee

Table 5.7. Corporate governance score used in this research
Source: Sawicki (2009)

5.7.2. Family and government ownership

This study captures the effects of capital structure on corporate governance disclosures by using an indirect approach through family and government ownership concentration. Family ownership is measured as the total percentage of shares owned by family interests, and government ownership is taken to be the total percentage of shares owned by the government or government-owned organisations. This thesis follows Yeh, Lee, and Woidtke (2001) definition of shares owned by family members as:

> Shares owned by all family members (of blood and marriage ties), shares owned by nominal investment companies and other legal entities that are

[1] The original index by Sawicki (2009) used engagement of big six auditors.

effectively controlled by the family and shares cross-owned by affiliated companies. (Yeh et al., 2001, p. 28).

5.7.3. Corporate size

The last meso level variable investigated in this thesis is corporate size. Corporate size is measured as the natural logarithm of total assets.

5.8. Macro level variables

This thesis uses three indicators in the macro level as discussed in previous chapter. These are the new administration in Indonesia, different board structures, and different legal origin in Indonesia and Malaysia. Macro level variables will be tested in two ways: first by using a dichotomous variable to indicate each different country, second, by analysing the data separately in country-level analysis.

To determine the dichotomous variable, all three indicators are considered. The first indicator, Indonesia's new administration, may influence corporate governance disclosures in Indonesia following that administration's introduction of new regulations. The second indicator is drawn from the fact that some research contends that the board of directors play a more important role in a dual board country than in a single board one. Therefore, it is expected that the board of directors in Indonesia is more influential than in Malaysia, especially in relation to the disclosures. For the third indicator, Malaysia, as a common-law country, is expected to provide better investor protection than Indonesia. For this reason, it is expected that Malaysian corporations provide more disclosures.

Therefore, from these three indicators, it may be predicted that there are improvements of corporate governance disclosures in Indonesia. Thus, to measure this variable, Indonesian corporations is scored 1 and 0 otherwise.

5.9. Control variables

Several control variables are included in the analysis.

5.9.1. Leverage

Debt to assets ratio is used to measure leverage.

5.9.2. Profitability

Return on assets is used (net profit after tax divided by total assets) to measure profitability.

5.9.3. Growth opportunities

Tobin's Q is applied to measure growth opportunities. Tobin's Q is the ratio of total market value to total book value of assets.

5.10. Research model

This thesis applies multivariate regression analysis of four different research models to test the research hypotheses. Multivariate regression analysis is used to determine whether the micro level, meso level, and macro level variables determine corporate governance practice and disclosures in Indonesia and Malaysia[2].

To address the hypotheses related to corporate governance practice (H1a, H3a, H4a, H5a, and H6a), this thesis employs Research Models 1 and 3. While in Research Model 1 all data from Indonesian and Malaysian corporations are analysed at the same time, in Research Model 3 separate analyses of Indonesian data and Malaysian data are conducted. To investigate hypotheses related to the corporate governance disclosures (H1b, H2, H3b, H4b, H5b, and H6b), this thesis employs Research Models 2 and 4. Similar to the approach used for Research Models 1 and 3, Research Model 2 conducts analysis for both Indonesian and Malaysian data together and Research Model 4 performs two separate analyses. The following table summarises the four research model used in this thesis.

Data	H1a, H3a, H4a, H5a, H6a	H1b, H2, H3b, H4b, H5b, H6b
All data (Indonesia and Malaysia)	$CG = b_0 + b_1\ FEBP + b_2\ FAMP + b_3\ GOVP + b_4\ SIZE + b_5\ MACRO + b_6\ LEV + b_7\ PRO + b_8\ GO + \varepsilon$ **(1)**	$DISC = b_0 + b_1\ FEBP + b_2\ CG + b_3\ FAMP + b_4\ GOVP + b_5\ SIZE + b_6\ MACRO + b_7\ LEV + b_8\ PRO + b_9\ GO + \varepsilon$ **(3)**
Single country data (Indonesia or Malaysia)	$CG = b_0 + b_1\ FEBP + b_2\ FAMP + b_3\ GOVP + b_4\ SIZE + b_5\ LEV + b_6\ PRO + b_7\ GO + \varepsilon$ **(2)**	$DISC = b_0 + b_1\ FEBP + b_2\ CG + b_3\ FAMP + b_4\ GOVP + b_5\ SIZE + b_6\ LEV + b_7\ PRO + b_8\ GO + \varepsilon$ **(4)**

Table 5.8. Research models used in this research

[2] Multiple regression is based on the presumption that no multicollinearity exists between the independent variables, suggesting there is no exact linear relationship between the independent variables (Gujarati & Porter, 2009).

where:

CG	=	corporate governance practice
DISC	=	the score of corporate governance disclosures in the annual reports or on WWW
FEBP	=	proportion of foreign-educated directors
FAMP	=	total percentage of shares owned by family members
GOVP	=	total percentage of shares owned by government
SIZE	=	natural logarithm of total assets
MACRO	=	macro level variables (dichotomous variable of 1 if it is Indonesian corporation, 0 otherwise)
LEV	=	debt to assets ratio
PRO	=	return on assets (net profit after tax divided by total assets)
GO	=	Tobin's Q (ratio of total market value to total book value of assets)
ε	=	error term

5.11. Robustness test and sensitivity analysis

In addition to the multivariate regression analysis, several robustness tests are performed to ensure that multivariate regression results are robust. As this thesis is concerned with the individual effect of the independent variables on the corporate governance practice and the extent of corporate governance disclosure, the presence of multicollinearity is tested. This thesis employs two methods to make sure that there is no multicollinearity problem among the independent variables that have biased the results of multivariate regression analysis. First, this thesis uses the Pearson's bivariate correlation matrix (Gujarati & Porter, 2009; Tabachnick & Fidell, 2013). A serious multicollinearity problem exists if the correlation coefficients between two independent variables exceeds 0.8. Second, this thesis also uses the Variance Inflation Factor test to test the multicollinearity problem. According to Kline (2005), variance inflation factor value more than 10 indicates a threat of multicollinearity.

The next robustness test is related to autocorrelation problems. If error terms are autocorrelated, several issues arise in the usage of ordinary least square. This thesis uses Durbin-Watson statistic to determine whether autocorrelation problems exist and follows Hutcheson and Sofroniou (1999) rule of thumb range for the Durbin-Watson statistic to indicates the absence of autocorrelation problems. Next, this thesis also tests potential threat of heteroscedasticity. The existence of heteroscedasticity leads to incorrect conclusions about the significance of the independent variables in ordinary least square. This thesis applies the Breusch-Pagan-Godfrey test to ensure the existence or absence of heteroscedasticity problems. This thesis also further tests endogeneity problem. According to Ntim, Opong, and Danbolt (2012), an endogeneity problem exists within a research model if the dependent and independent variables are highly correlated with the error term. To ensure the absence of endogeneity problems in this thesis, this thesis applies the Durbin-Wu-Hausman test.

This thesis also conducts sensitivity analysis to ensure that multivariate regression results are not sensitive to alternative proxies of independent variables and this thesis uses appropriate proxy. In the sensitivity analysis, this thesis runs and test the research models differently and also replaces some independent variables with alternative proxies. The next section summarises the research methodology of this thesis.

5.12. Summary

The hypotheses tested in this thesis focus on two dependent variables, corporate governance practice and corporate governance disclosure. The corporate governance practice score is based on nine criteria listed in Table 5.7. For the corporate governance disclosure score, this research uses the UNCTAD corporate governance disclosures benchmark listed in Table 5.2 to 5.6. To test the hypotheses related to the corporate governance practices in Indonesia and Malaysia, this study applies multivariate regression analysis on Research Models 1 and 2. Hypotheses related to the corporate governance disclosures in both countries are tested with OLS regressions of Research models 3 and 4. While Research Models 1 and 3 test all 400 companies' data from Indonesia and Malaysia, Research Models 2 and 4 test the Indonesian data and Malaysian data separately. The following chapter provides the results of these tests and analyses the impact of institutional changes and isomorphisms at the micro, meso, and macro levels on corporate governance practice and disclosure by corporations in Indonesia and Malaysia.

Chapter 6 Results and Analysis

6.1. Introduction

This chapter presents the research findings regarding corporate governance practice and disclosure by corporations in Indonesia and Malaysia. Section 6.2 provides descriptive statistics for the dependent and independent variables in this thesis. This is followed by Section 6.3 which presents the results of the multivariate regression analyses. Finally, Sections 6.4 and 6.5 describe the robustness of the results and offers sensitivity analysis.

6.2. Descriptive results

6.2.1. Descriptive statistics

Tables 6.1, 6.2, and 6.3 provide descriptive statistics for the dependent variables and independent variables used in this thesis. The data has been analysed as a pooled dataset and for each country separately to enable the analysis of mandatory and voluntary corporate governance disclosure.

Table 6.1 summarises the descriptive statistics of all data from 400 corporations, 200 each from Indonesia and Malaysia. Table 6.1 shows that the mean of corporate governance practice of all 400 corporations is 7.23, with a maximum score of 9 and a minimum score of 2. The highest observed score for corporate governance disclosures in the annual reports of the 400 corporations is 45, with a maximum possible score of 52. Two corporations, both Indonesian, provided disclosures of 45 separate corporate governance-related types of information in their annual reports. The minimum score for corporate governance disclosures in the annual reports of all corporations is 12, with a mean close to 29.

Fewer corporate governance disclosures are made on the WWW, with a mean observed score of 14.33. The maximum score for corporate governance disclosures on the WWW is 40. Only one Indonesian corporation provided 40 disclosures of corporate governance information on the WWW, one of the two providing the most disclosures in the annual reports. In contrast, three corporations did not give any corporate governance information on the WWW.

Variables	N	Minimum	Maximum	Mean	Median	Std. Deviation
Corporate governance practice	400	2	9	7.23	8	1.58
Corporate governance disclosures in the annual reports	400	12	45	28.98	29	5.70
Corporate governance disclosures on the WWW	400	0	40	14.33	14	7.13
Proportion of foreign-educated directors	400	0	1	0.65	0.67	0.26
Proportion of family ownership	400	0	0.97	0.33	0.37	0.28
Proportion of government ownership	400	0	0.90	0.063	0	0.18
Corporate size	400	10.07	25.83	17.09	17.52	3.85
Macro level (country) variable	400	0	1	0.50	0.5	0.50
Leverage	400	0.00	1.67	0.23	0.19	0.21
Profitability	400	-0.81	0.85	0.08	0.05	0.09
Growth opportunities	400	0.08	31.98	2.01	1.33	2.51

Table 6.1. *Descriptive statistics of all data*

For 54 corporations, all directors were foreign-educated. In contrast, 16 Indonesian corporations did not have any foreign-educated directors. The mean of foreign-educated directors for all samples is 0.65.

Furthermore, the mean score of corporate governance practice for Indonesian and Malaysian corporations is 7.23, ranging from a minimum score of 2 to a maximum of 9. There were 105 corporations scoring the highest possible (9) for corporate governance practice, and only one corporation with a minimum score of 2.

Table 6.1 shows that family and government ownership in Indonesian and Malaysian corporations is quite high, with the maximum percentage of family ownership for a company reaching 97% and 90% for government ownership. The mean for government ownership is considerably lower compared to family ownership, 6.3% for government ownership and 33% for family ownership. There were 134 corporations that had 0% of family ownership and 353 corporations had 0% government ownership.

Natural logarithm of total assets, a proxy for corporate size, has a mean of 17.09, with a minimum score of 10.07 and a maximum of 25.83. The last independent variable in Models 1 and 3 is a macro level (country) variable, which is a dichotomous variable taking the value of 1 if it is an Indonesian corporation and 0 if it is a Malaysian one.

The last three variables are control variables. The leverage variable ranges from a minimum of 0.00 to a maximum of 1.67, with a mean of 0.23. For profitability, as measured by return on assets, it ranges from -0.81 to 0.85 with a mean of 0.08. Tobin's Q was used to measure growth opportunities, ranging from a minimum score of 0.08 to a maximum of 31.98 and a mean of 2.01.

Tables 6.2 and 6.3 provide a summary of the descriptive statistics of the Indonesian and Malaysian data, respectively. Even though corporate governance disclosures of Indonesian corporations both in the annual reports and on WWW are generally higher, as indicated by the maximum score and its mean, the standard deviation of this measure for the Indonesian data is higher. This indicates that the corporate governance disclosure scores in Indonesia are spread out over a wider range of items as opposed to the Malaysian scores. While the maximum score of corporate governance disclosures in the annual reports and on WWW in Indonesia is 45 and 40 respectively, in Malaysia it is slightly lower at 38 and 31.

The mandatory and voluntary corporate governance disclosures of Indonesia and Malaysia are not comparable as the regulation in the two countries are different. In Indonesia, there are 21 mandatory corporate governance information that must be disclosed in the annual reports and on the corporate websites. Hence, the maximum possible score of mandatory corporate governance disclosures in Indonesia is 21, both in the annual reports and on WWW. For the voluntary corporate governance disclosures in Indonesia, the maximum possible score is 31 both in the annual reports and on WWW. The mandatory disclosure requirements in Malaysia are less than Indonesia, with only 17 mandatory disclosures required in the annual reports and 2 on WWW. Therefore, these constitute the maximum possible scores of mandatory corporate governance disclosures in Malaysia for annual reports and the WWW, respectively. The maximum possible score of voluntary corporate disclosures in Malaysia is higher than Indonesia as a result of the lower mandatory disclosure requirement. The maximum possible scores for voluntary corporate governance disclosures in Malaysia in the annual reports and on the WWW are 35 and 50 respectively.

Table 6.2 shows that the maximum score of mandatory corporate governance disclosures in the annual reports is 21. In Indonesia, 29 corporations fully complied with the annual report disclosure requirements. However, none fully complied with the WWW disclosure requirements, as the maximum score of this variable is 20, with four corporations reaching this score, out of a total possible score of 21. Similar to Indonesia, 26 Malaysian corporations also fully complied with Malaysian regulations related to annual report disclosures.

Tables 6.2 and 6.3 also show that the corporate governance practices score of the Malaysian corporations is higher than that for the Indonesian corporations. The average score for corporate governance practice in Malaysia is 8. This average score is higher than the Indonesian data and has a lower standard deviation. The following section offers a descriptive analysis of corporate governance practice in Indonesia and Malaysia.

Variables	N	Minimum	Maximum	Mean	Median	Std. Deviation
Corporate governance disclosures in the annual reports	200	12	45	29.09	28	7.17
Mandatory corporate governance disclosures in the annual reports	200	9	21	16.85	17	3.08
Voluntary corporate governance disclosures in the annual reports	200	1	24	12.24	12	4.60
Corporate governance disclosures on the WWW	200	0	40	14.33	14	7.13
Mandatory corporate governance disclosures on the WWW	200	0	20	10.13	10	5.14
Voluntary corporate governance disclosures on the WWW	200	0	21	4.20	3.43	3.43
Proportion of foreign-educated directors	200	0	1	0.59	0.59	0.27
Corporate governance practice	200	3	9	6.47	6	1.65
Proportion of family ownership	200	0	0.97	0.35	0.40	0.30
Proportion of government ownership	200	0	0.90	0.07	0	0.20
Corporate size	200	10.07	18.05	13.57	13.53	1.46
Leverage	200	0.00	1.67	0.29	0.26	0.22
Profitability	200	-0.81	0.85	0.06	0.05	0.12
Growth opportunities	200	0.11	31.98	2.21	1.45	3.03

Table 6.2. Descriptive statistics of Indonesian data

Variables	N	Minimum	Maximum	Mean	Median	Std. Deviation
Corporate governance disclosures in the annual reports	200	16	38	28.87	29	3.71
Mandatory corporate governance disclosures in the annual reports	200	7	17	15.39	16	1.28
Voluntary corporate governance disclosures in the annual reports	200	6	22	13.48	13	3.03
Corporate governance disclosures on the WWW	200	0	31	14.33	14	6.41
Mandatory corporate governance disclosures on the WWW	200	0	2	0.96	1	0.65
Voluntary corporate governance disclosures on the WWW	200	0	30	13.37	13	6.29
Proportion of foreign-educated directors	200	0	1	0.75	0.8	0.21
Corporate governance practice	200	2	9	8.00	8	1.06
Proportion of family ownership	200	0	0.81	0.31	0.35	0.26
Proportion of government ownership	200	0	0.75	0.06	0	0.17
Corporate size	200	17.04	25.83	20.61	20.36	1.63
Leverage	200	0.00	0.59	0.16	0.10	0.17
Profitability	200	-0.51	0.73	0.08	0.06	0.09
Growth opportunities	200	0.08	13.81	1.81	1.15	1.83

Table 6.3. Descriptive statistics of Malaysian data

6.2.2. Corporate governance practice

The findings indicate that corporate governance practice in Malaysia scores better than that of Indonesia. The average score for corporate governance practice in Malaysia is 8. In Indonesia, the average score is 6. These scores show an improvement in corporate governance practice in both countries. According to Sawicki (2009), the average scores for corporate governance practice in Indonesia for 1994-1996, 1997-1998, and 1999-2003 are 2.72, 2.93, and 4.36 respectively. The average scores for corporate governance practice in Malaysia for 1994-1996, 1997-1998, and 1999-2003 are 3.85, 3.93, and 6.19 respectively. These scores show that corporate governance practice in Malaysia is better than that of Indonesia. Furthermore, these scores also show that corporate governance practice in both countries is improved over years. The higher standard deviation of corporate governance practice scores in Indonesia also shows that the variation in corporate governance practice is spread over a wider range. The following figure shows how Malaysian corporate governance practice is largely concentrated in scores of 8 and 9. In Indonesia, this score is spread from scores 5 to 9.

From the nine criteria of corporate governance practice score used in this research, three of these are mandatory in Indonesia and two of these criteria are recommended (Indonesian Financial Services Authority, 2015a). The mandatory criteria are one-third independence of the board, chairman and CEO separation, and existence of an audit committee. Indonesian corporations are recommended to have a remuneration committee and a nomination committee. In Malaysia, there are four required practice. These are one-third independence of the board, existence of an audit committee, disclosure of frequency of audit committee meeting, and existence of a nomination committee. As an addition to these requirements, Malaysian corporations are recommended to have separate chairman and CEO, and have a remuneration committee.

Figure 6.1*.* Score of corporate governance practice in Indonesia and Malaysia.

The lowest score for corporate governance practice in Indonesia is 3, with five Indonesian corporations (2.5%) having this score. All of these are family corporations. In Malaysia, the lowest corporate governance practice score is 2, scored by one corporation (0.5%) which is also family owned.

In Indonesia, all 200 corporations have chairman and CEO separation and an audit committee. Furthermore, there are only nine corporations (4.5%) without a board at least one-third of which is comprised of independent members. These three criteria are mandatory in Indonesia. In Malaysia, all 200 corporations have an audit committee, with only one not disclosing the frequency of its audit committee meetings. Both the existence of an audit committee and disclosure of frequency of its meetings are mandatory in Malaysia. While all 200 Indonesian corporations also have an audit committee, 22 corporations (11%) not disclosing the frequency of its audit committee meetings. In regard to chairman and CEO separation, there are 18 Malaysian corporations (9%) that do not have separate chairman and CEO. Other two mandatory practices in Malaysia are one-third independence of the board and existence of a nomination committee (Bursa Malaysia, 2016b). The findings show that there are only three Malaysian corporations that do not have a nomination committee, and eight corporations that do not meet the one-third independence threshold.

There are 129 Indonesian corporations (64.5%) that do not have a nomination committee and 115 Indonesian corporations (57.5%) do not have a remuneration committee. This is in contrast with Malaysian corporations where there are only 3 (1.5%) without a nomination committee and 13 (6.5%) lacking a remuneration committee. In Indonesia, 85 Indonesian corporations (42.5%) do not use big four auditors.

In Malaysia, 110 corporations (55%) have directors with shareholdings in excess of 5%. In Indonesia, there are 125 corporations (62.5%) with largest director’s shareholding more than 5% of issued capital.

The findings show that corporations in Indonesia and Malaysia follow the required corporate governance practice in their jurisdictions, with only a few exception. The difference between the corporate governance practice scores in the two countries is explained by several factors. First, the mandatory requirements of corporate governance practice in Malaysia are more extensive than that of Indonesia. Second, the majority of Malaysian corporations seem to follow recommended practice. Despite being only recommended practice, in Malaysia, chairman and CEO separation, and the existence of a remuneration committee are almost universally accepted, whereas in Indonesia, more than half of the corporations do not have either a remuneration or nomination committee. Third, it might be contributed by the different climates for corporate governance reform in the two countries. While the government’s agenda drove corporate governance reform in Malaysia, in Indonesia reform was driven by the requirements imposed by IMF when Indonesia required IMF assistance during the financial crisis. Even though the current administration in Indonesia is pushing for improvements in corporate governance practice, the new regulations were issued at the end of 2015. Therefore, any subsequent improvement in corporate governance practice in Indonesia may not be captured by the timeframe for this research.

Table 6.4 summarises the number of corporations that scored 0 for each corporate governance practice category. A zero score indicates that the corporation does not meet the particular corporate governance practice criterion. The next section gives a descriptive analysis of corporate governance disclosures in Indonesia and Malaysia.

Corporate governance practice criteria	**Number of Indonesian corporations score 0 for each criterion**	**Number of Malaysian corporations score 0 for each criterion**
One-third independence of the board, as measured by the number of independent directors divided by total number of directors	9	8
Chairman and CEO separation	0	18
Largest director's shareholding (as measured using direct interest and deemed interest divided by total issued shares) below 5% of issued capital	75	110
Existence of an audit committee	0	0
Disclosure of frequency of audit committee meeting	22	1
Expertise of audit committee	72	12
Engagement of big four auditors	85	36
Existence of a remuneration committee	115	13
Existence of a nomination committee	129	3

***Table 6.4**.* Corporate governance practice in Indonesia and Malaysia

6.2.3. Corporate governance disclosures

Corporate governance disclosures in Indonesian companies' annual reports have a higher standard deviation compared to those in Malaysia: 7.17, compared with 3.71. The following figure presents the corporate governance disclosure scores in annual reports in both countries.

Figure 6.2 shows that there are 21 Indonesian corporations (10.5%) that had a higher corporate governance disclosure score in annual reports than the corresponding maximum score in Malaysia. The maximum corporate governance disclosure score in the annual reports in Malaysia is 38, with only one Malaysian corporation (0.5%) with this score. In Indonesia, the maximum score is 45 and two Indonesian corporations (1%) had this.

These two Indonesian corporations, Bank Central Asia and Bank Danamon Indonesia, are also the ones that provided the most corporate governance disclosures on the WWW. Bank Central Asia disclosed 40 types of corporate governance information on its WWW, and Bank Danamon Indonesia disclosed 39 types of disclosure. There is a similar situation in Malaysia, where the corporation giving the most disclosures in its annual report also offered the most disclosures on the WWW. Telekom Malaysia Berhad, which received a score of 38 for its corporate governance disclosures in the annual report, disclosed 31 types of corporate governance information on its WWW. Figure 6.3 provides data on corporate governance disclosures on corporate websites in Indonesia and Malaysia.

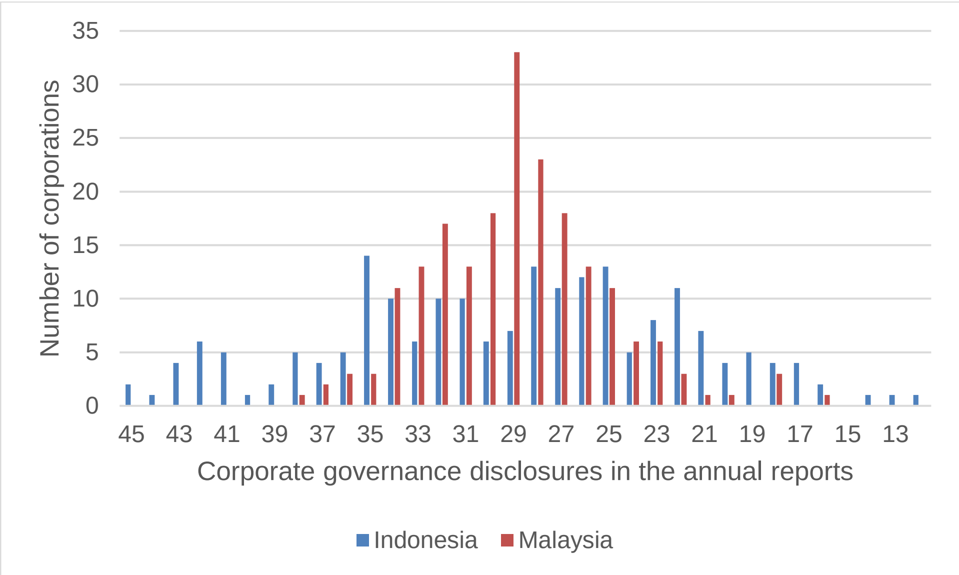


Figure 6.2. Score of corporate governance disclosures in the annual reports in Indonesia and Malaysia.

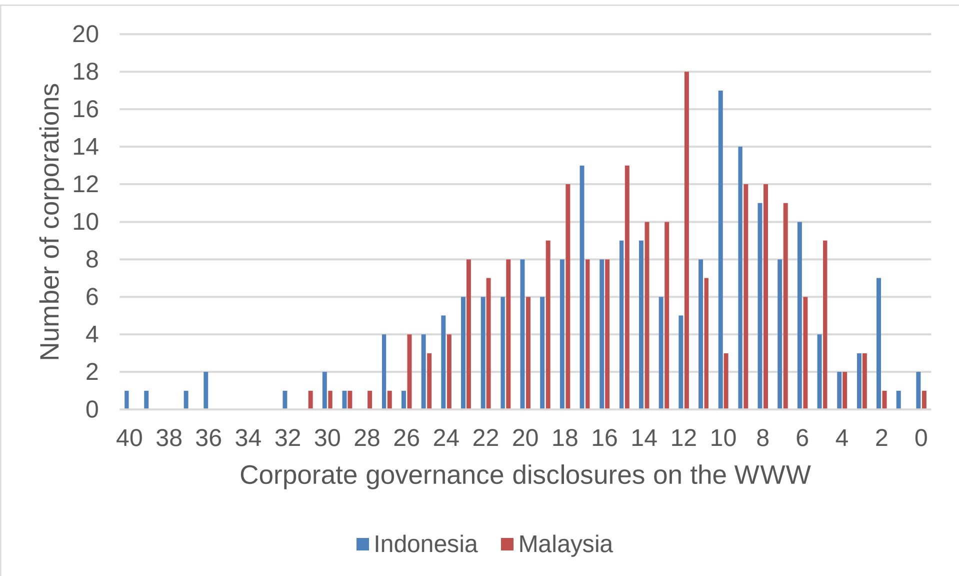


Figure 6.3. Score of corporate governance disclosures on the WWW in Indonesia and Malaysia.

Some Indonesian corporations provided more disclosures on the WWW than those in Malaysia. The maximum corporate governance disclosures on the WWW in Malaysia is 31, and nine Indonesian corporations that provided more than 31 on the WWW.

In terms of mandatory corporate governance disclosures in annual reports, in Indonesia, 29 corporations (14.5%) fully complied with this requirement. This means that 171 Indonesian corporations (85.5%) did not meet the mandatory disclosure requirements for annual reports, even though this is obligatory. This research finds that there are only two types of information disclosed by all 200 Indonesian corporations. This is related to the financial and operating results, and the board of directors' composition. Meanwhile, the least disclosed mandatory corporate governance information concerns the performance evaluation process, with only 69 corporations (34.5%) that provide such disclosures in their annual reports. Table 6.5 summarises the five most disclosed elements of mandatory information and five least disclosed in the annual reports of Indonesian corporations.

The level of compliance to the mandatory corporate governance disclosures in Malaysia is also similar, with only 26 Malaysian corporations (13%) providing all 17 elements of mandatory information in their annual reports. However, four types of information were disclosed by all 200 corporations in their annual reports. Table 6.6 summarises the most and least disclosed sorts of mandatory corporate governance information in annual reports.

Five most disclosed mandatory corporate governance types of information in Indonesia	**Number of Indonesian corporations disclosing this in their annual reports**	**Five least disclosed mandatory corporate governance types of information in Indonesia**	**Number of Indonesian corporations disclosing this in their annual reports**
Financial and operating results	200	Performance evaluation process	69
Composition of board of directors (executives and non-executives)	200	Professional development and training activities	72
Qualifications and biographical information on board members	198	Policy on "whistle blower" protection for all employees	102
Ownership structure	197	A code of ethics for all company employees	107
Types and duties of outside board and management position	194	A code of ethics for the board and waivers to the ethics code	107

Table 6.5. Five most and least disclosed mandatory corporate governance information in the annual reports in Indonesia

Five most disclosed types of mandatory corporate governance information in Malaysia	Number of Malaysian corporations disclosing this in their annual reports	Five least disclosed types of mandatory corporate governance information in Malaysia	Number of Malaysian corporations disclosing this in their annual reports
Ownership structure	200	Auditors' involvement in non-audit work and the fees paid to the auditors	75
Financial and operating results	200	Control structure	102
Board's responsibilities regarding financial communications	200	Policy and performance in connection with environmental and social responsibility	169
Governance structures, such as committees and other mechanisms to prevent conflict of interest	200	Material interests of members of the board and management	185
Internal control system	198	Professional development and training activities	187

***Table 6.6**.* Five most and least disclosed types of mandatory corporate governance information in the annual reports in Malaysia

Corporations in Indonesia and Malaysia also disclose information voluntarily regarding their corporate governance practices. In Malaysia, two kinds of voluntary information are disclosed by all 200 corporations. Information regarding "checks and balances" mechanisms and the composition of the board of directors are found in all 200 Malaysian corporations' annual reports. "Checks and balances" mechanisms are also categorised as voluntary information in Indonesia, and this is among the top five voluntary sorts of information disclosed by Indonesian corporations. Table 6.7 summarises the top five most disclosed voluntary types of corporate governance information in annual reports in both countries.

Corporate governance disclosures on the corporate website in Malaysia are mostly voluntary, as only two required items. However, the level of compliance to disclose this mandatory information is low. Information regarding meeting agenda is disclosed by 154 Malaysian corporations (77%). The process for holding annual general meetings, is only disclosed by 38 corporations (19%).

In terms of voluntary information, the most accessible information on the WWW is composition of board of directors, disclosed by 187 corporations (93.5%). The next most available information on the WWW of Malaysian corporations is also related to the board.

Disclosures regarding the role and functions of the board of directors are found in 162 (81%) Malaysian corporations' websites.

Five most disclosed types of voluntary corporate governance information in Indonesia	**Number of Indonesian corporations disclosing this in their annual reports**	**Five most disclosed types of voluntary corporate governance information in Malaysia**	**Number of Malaysian corporations disclosing this in their annual reports**
Independence of the board of directors	197	"Checks and balances" mechanisms	200
Nature, type and elements of related-party transactions	186	Composition of board of directors (executives and non-executives)	200
Governance structures, such as committees and other mechanisms to prevent conflict of interest	179	Nature, type and elements of related-party transactions	198
"Checks and balances" mechanisms	178	Composition and function of governance committee structures	195
Number of outside board and management position directorships held by the directors	178	Availability and accessibility of meeting agenda	194

Table 6.7. Five most disclosed types of voluntary corporate governance information in the annual reports in Indonesia and Malaysia

There are 21 items of corporate governance information that need to be disclosed on the WWW by Indonesian corporations. However, the maximum score of mandatory corporate governance disclosures by any Indonesian company on the WWW is only 20. No Indonesian corporation fully complies with the mandatory disclosure requirements for the internet. Of these, information regarding the composition of the board is the most disclosed information on the corporate website in Indonesia. This finding is the same as in Malaysia. The following table summarises the five most disclosed mandatory and voluntary kinds of corporate governance information on the WWW in Indonesia.

Five most disclosed types of mandatory corporate governance information in Indonesia	Number of Indonesian corporations disclosing this on their WWW	Five most disclosed types of voluntary corporate governance information in Indonesia	Number of Indonesian corporations disclosing this on their WWW
Composition of board of directors (executives and non-executives)	183	Independence of the board of directors	169
Qualifications and biographical information on board members	156	Number of outside board and management position directorships held by the directors	137
Availability and accessibility of meeting agenda	152	Company objectives	118
Process for holding annual general meetings	152	Governance structures, such as committees and other mechanisms to prevent conflict of interest	77
Duration of director's contracts	143	"Checks and balances" mechanisms	76

Table 6.8. Five most disclosed types of mandatory and voluntary corporate governance information on the WWW in Indonesia

This research further analyses whether corporate governance disclosures on the WWW are complementary to the disclosures in the annual reports, or whether corporations disclose the same information in both media. The findings show that corporations use the WWW to complement their annual reports for some corporate governance information. In Indonesia, almost half of the sample use the WWW as a complement to the annual reports to provide information regarding the process for holding annual general meetings. These 95 corporations (47.5%) do not provide this information in their annual reports. Table 6.8 shows that this information is being disclosed by 152 corporations (76%), which means 57 corporations (28.5%) disclose this information both in the annual reports and on WWW. In Malaysia, 41 corporations (20.5%) use the WWW to complement their annual reports to disclose information regarding types and duties of outside board and management positions. The following table summarises the top five incremental disclosures on the WWW.

Five most disclosed incremental types of corporate governance information on the WWW in Indonesia	Number of Indonesian corporations disclosing this on their WWW	Five most disclosed incremental types of corporate governance information on the WWW in Malaysia	Number of Malaysian corporations disclosing this on their WWW
Process for holding annual general meetings	95	Types and duties of outside board and management positions	41
A code of ethics for the board and waivers to the ethics code	27	Company objectives	39
A code of ethics for all company employees	27	Process for holding annual general meetings	38
Availability and accessibility of meeting agenda	22	Performance evaluation process	18
Impact of environmental and social responsibility policies on the firm's sustainability	13	Policy on "whistle blower" protection for all employees	14

Table 6.9. Five most disclosed incremental types of corporate governance information on the WWW in Indonesia and Malaysia

From the top five most disclosed incremental types of corporate governance information on the WWW, the top four are all mandatory disclosures. Disclosures regarding the code of ethics for the board and employees are also required in the annual reports. This finding shows that 27 Indonesian corporations (13.5%) prefer to disclose their code of ethics on the WWW, rather than in their annual reports, despite this being a mandatory annual report requirement. With a lot of detailed information regarding its code of ethics, these corporations prefer to use the WWW. Hence this finding supports prior research that contends that WWW disclosures are able to provide more detailed information as opposed to the annual reports (Lodhia, 2014; Lodhia et al., 2004; Xiao et al., 2002).

6.2.4. Correlations

Tables 6.10, 6.11, and 6.12 present the Pearson's bivariate correlation matrix. Table 6.10 presents the correlation between dependent variables and independent variables for all 400 corporations. All independent variables are significantly correlated with corporate governance practice. While the proportion of government ownership and corporate size are positively correlated with the score for corporate governance practices, the proportion of family ownership and the country variable are negatively correlated. In regard to corporate governance disclosures in annual reports, almost all independent variables are significantly and positively correlated, with the exception of the proportion of family ownership and the country variable. The proportion of family ownership is significantly and negatively correlated with corporate governance disclosures in the annual reports, and the country variable is not significantly correlated. For corporate governance disclosures on the WWW, only four independent variables are significantly correlated. Three independent variables, corporate governance practice, proportion of government ownership, and corporate size are positively correlated with disclosures on the WWW. The proportion of family ownership is negatively correlated with disclosures on the WWW.

Tables 6.11 and 6.12 present the correlation matrix for Indonesian data and Malaysian data. These tables show similar results to Table 6.10, where almost all independent variables are significantly correlated with the dependent variables. The general rule of thumb to test for multicolinearity is that serious multicolinearity in the research model exists if the correlation between two independent variables exceeds 0.8 (Gujarati & Porter, 2009). All bivariate correlation coefficients between independent variables in Tables 6.10, 6.11, and 6.12 are below 0.8. Hence, this suggests that there is no serious threat of multicolinearity that will seriously bias the estimated coefficients.

	A	W	FEBP	CG	FAMP	GOVP	SIZE	MACRO	LEV	PRO
W	.481**									
FEBP	.189**	0.067								
CG	.441**	.324**	.409**							
FAMP	-.235**	-.241**	-.138**	-.386**						
GOVP	.384**	.207**	0.040	.175**	-.404**					
SIZE	.169**	.141**	.464**	.578**	-.146**	0.092				
MACRO	0.019	0.000	-.407**	-.484**	0.080	0.029	-.915**			
LEV	-.149**	0.007	-0.069	-.231**	0.072	-0.032	-.237**	.309**		
PRO	0.008	-0.060	0.011	0.082	-0.025	-0.072	-0.079	-0.058	-.230**	
GO	-0.045	-0.060	-0.003	0.000	-.099*	-0.048	-.203**	0.079	-.130**	.526**

Table 6.10. Pearson's bivariate correlation matrix – dependent and independent variables of all data

** Correlation is significant at the 0.01 level (two tailed), * Correlation is significant at the 0.05 level (two tailed).

A = corporate governance disclosures in the annual reports; W = corporate governance disclosures on the WWW; FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; MACRO = country variable, 1 if the corporation is listed in Indonesia; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

	A	AM	AV	W	WM	WV	FEBP	CG	FAMP	GOVP	SIZE	LEV	PRO
AM	.900**												
AV	.957**	.735**											
W	.581**	.499**	.572**										
WM	.466**	.428**	.439**	.942**									
WV	.624**	.493**	.643**	.863**	.643**								
FEBP	.246**	.206**	.245**	0.086	0.084	0.070							
CG	.557**	.447**	.570**	.488**	.419**	.483**	.254**						
FAMP	-.252**	-.174*	-.277**	-.190**	-0.125	-.245**	-0.109	-.384**					
GOVP	.421**	.369**	.409**	.227**	.162*	.274**	-0.055	.174*	-.415**				
SIZE	.634**	.523**	.640**	.483**	.390**	.515**	.198**	.520**	-.161*	.274**			
LEV	-.215**	-.194**	-.206**	-0.042	0.027	-0.138	-0.016	-.142*	.153*	-0.107	-0.067		
PRO	-0.007	-0.052	0.023	-0.060	-0.052	-0.060	0.065	0.092	-0.013	-0.036	-.168*	-.196**	
GO	-0.088	-0.115	-0.060	-0.092	-0.094	-0.068	0.030	0.023	-0.107	-0.056	-.291**	-.179*	.397**

Table 6.11. Pearson's bivariate correlation matrix – dependent and independent variables of Indonesian data

** Correlation is significant at the 0.01 level (two tailed), * Correlation is significant at the 0.05 level (two tailed).

A = corporate governance disclosures in the annual reports; AM = mandatory corporate governance disclosures in the annual reports; AV = voluntary corporate governance disclosures in the annual reports; W = corporate governance disclosures on the WWW; WM = mandatory corporate governance disclosures on the WWW; WV = voluntary corporate governance disclosures on the WWW; FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

	A	AM	AV	W	WM	WV	FEBP	CG	FAMP	GOVP	SIZE	LEV	PRO
AM	.660**												
AV	.948**	.388**											
W	.282**	0.034	.332**										
WM	0.073	0.049	0.069	.229**									
WV	.280**	0.030	.331**	.995**	0.131								
FEBP	.152*	0.040	.170*	0.054	0.045	0.050							
CG	.397**	.419**	.310**	.153*	.189**	0.136	.289**						
FAMP	-.228**	-.166*	-.209**	-.315**	-.165*	-.304**	-0.126	-.436**					
GOVP	.339**	.202**	.330**	.179*	0.051	.177*	.225**	.298**	-.399**				
SIZE	.251**	.155*	.243**	.213**	-0.045	.222**	.320**	.227**	-.205**	.319**			
LEV	-0.043	-0.044	-0.034	0.085	-0.112	0.099	.202**	-0.009	-0.102	0.052	.344**		
PRO	0.047	0.013	0.052	-0.060	0.100	-0.072	-0.129	0.011	-0.031	-0.114	-.493**	-.264**	
GO	0.085	0.020	0.096	0.004	0.099	-0.006	0.039	0.097	-0.110	-0.042	-.415**	-0.134	.810**

Table 6.12. Pearson's bivariate correlation matrix – dependent and independent variables of Malaysian data

** Correlation is significant at the 0.01 level (two tailed), * Correlation is significant at the 0.05 level (two tailed).

A = corporate governance disclosures in the annual reports; AM = mandatory corporate governance disclosures in the annual reports; AV = voluntary corporate governance disclosures in the annual reports; W = corporate governance disclosures on the WWW; WM = mandatory corporate governance disclosures on the WWW; WV = voluntary corporate governance disclosures on the WWW; FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

6.3. Empirical results

6.3.1. Determinants of corporate governance practice

This study analyses the impact of institutional isomorphisms on corporate governance practice at three institutional levels. At the micro level, the impact of foreign-educated boards on corporate governance practice is evaluated. At the meso level, the impacts of family and government ownership, and corporate size are assessed with respect to corporate governance practice. At the macro level, this research analyses the effect of institutional changes at the country level on corporate governance practice.

Table 6.13 provides the coefficients and p-values with significance levels for the multivariate regression analysis. To analyse the impact of three institutional levels on corporate governance, Research Models 1 and 2 are employed. The results for the multivariate regression analysis of Research Model 1 is presented in the first column.

For Research model 2, two separate analyses are conducted. The result of the multivariate regression analysis of Research Model 2 on the research sample of Indonesian corporations is available in the second column. Finally, the result of the multivariate regression analysis of Research Model 2 on the research sample of Malaysian corporations is available in the third column. All models are significant at $p < 0.0001$. The R-squared of Model 1 is 0.4711. For Model 2, the R-squared for Indonesian data is 0.4079 and for Malaysian data, it is 0.2840.

This study finds that the internationalisation of the board of directors is significantly and positively associated with the corporate governance practice score in both Indonesia and Malaysia. FEBP is significant at 1% on Research Model 1 for all data and on Research Model 2 for Malaysian data. For Indonesian data (Research Model 2), FEBP is significant at 10%. Foreign-educated directors exercise normative isomorphism in Indonesian and Malaysian corporations to improve their corporate governance practice. This finding supports prior research that contends that education indicates individual values and foreign influence contributes to the change of individual values (Hambrick & Mason, 1984; Merchant et al., 1995). Furthermore, this result shows that with both countries adopting and adapting foreign countries' best practices in corporate governance, the existence of a foreign-educated directors (instead of a foreign directors) influenced by foreign values but understanding local values contributes to the improvement of corporate governance practice. Thus, normative isomorphism at the micro level is evident in Indonesia and Malaysia and Hypothesis 1a, which stated as “there is no association between the percentage of the board of directors which is foreign-educated and corporate governance practice” is rejected.

	Research Samples		
	All data	**Indonesia**	**Malaysia**
Intercept	1.3872	-1.1133	5.7552***
	(0.1256)	(0.2652)	(0.0000)
FEBP	0.8659***	0.6711*	0.9834***
	(0.0007)	(0.0597)	(0.0055)
FAMP	-1.5387***	-1.6986***	-1.4412***
	(0.0000)	(0.0000)	(0.0000)
GOVP	-0.1380	-0.6839	0.4487
	(0.7021)	(0.2036)	(0.3066)
SIZE	0.3115***	0.5702***	0.0954*
	(0.0000)	(0.0000)	(0.0658)
MACRO	1.0102***	[redacted]	[redacted]
	(0.0020)	[redacted]	[redacted]
LEV	-0.7297**	-0.2082	-0.8876**
	(0.0176)	(0.6346)	(0.0328)
PRO	0.8221	1.0599	-1.1877
	(0.1706)	(0.1834)	(0.2560)
GO	0.0397	0.0543	0.1022*
	(0.1456)	(0.1080)	(0.0714)
R^2	0.4711	0.4079	0.2840
Model	p < 0.0001	p < 0.0001	p < 0.0001
D-W stat	2.0319	2.0782	2.2726

***Table 6.13**.* Determinants of corporate governance practice in Indonesia and Malaysia
p-values are presented in parentheses. ***, **, * represent significance level (two tailed) at 1%, 5%, and 10% respectively. Dependent variable is corporate governance practice. Independent variables are as follows. FEBP = proportion of foreign-educated directors; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; MACRO = country variable, 1 if the corporation is listed in Indonesia; LEV = debt to total assets; PRO = return on assets; GO = Tobin’s Q.

The impact of meso level institutional isomorphism is analysed through FAMP, GOVP, and SIZE. Hypothesis 3a states that there is no association between family ownership and corporate governance practice. This hypothesis is rejected as family ownership is significantly and negatively associated with corporate governance practice in Indonesia and Malaysia. All research models show that the proportion of family ownership is significant at 1%. This finding confirms prior research (Ali et al., 2007; S. S. M. Ho & Wong, 2001). This also shows that family corporations mimic other family corporations in term of poor corporate governance practice. Thus, mimetic isomorphism at the meso level is evident in both Indonesia and Malaysia.

The significance level of GOVP across Research Models 1 and 2 for both the Indonesian and Malaysian data is not significant. Therefore, the findings fail to reject Hypothesis 4a, there is no association between government ownership and corporate governance practice. Despite prior research that documents poor management of government corporations (Ding et al., 2014; Megginson et al., 2004; Shleifer & Vishny, 2002), this research fails to find evidence that government ownership has any association with corporate governance practice in Indonesia and Malaysia.

The last proxy for analysis of the impact of institutional isomorphism at the meso level is corporate size. Corporate size is positively significant in all research models. In Research Model 1, the coefficient for SIZE is 0.3115 and significant at 1. In Research Model 2 for Indonesian data, it is also significant at 1% with a coefficient of 0.5702. In Malaysia, SIZE is significant at 10% with a coefficient of 0.0954. Therefore, corporate size is positively associated with corporate governance practice in the combined data and in Malaysia. This finding confirms the contention of Jennings and Zandbergen (1995) that mimetic isomorphism influences large corporations' practices. In this case, large corporations mimic other large corporations' corporate governance practice to ensure that they do not lose competitive advantage over others.

However, this research also finds that corporate size is not positively associated with corporate governance practice in the data of Indonesian corporations. Therefore, this may indicate that good corporate governance practice in large Indonesian corporations is not as institutionalised as it is in Malaysian corporations. In fact, the only variable that is positively associated with corporate governance practice in the data of Indonesian corporations is internationalization of the board of directors. This may show that Indonesian corporations try to improve their corporate governance practice by 'importing' foreign values' influence on the board.

From the three measurements for institutional isomorphism at the meso level on corporate governance practice, this study finds evidence that mimetic isomorphism at the meso level influences corporate governance practice in Indonesia and Malaysia. Corporations with a higher level of family ownership tend to have poorer corporate governance practice. Conversely, larger corporations tend to have better corporate governance practice. These findings provide evidence on mimetic isomorphism, a process in which a corporation imitates the corporate practices of other corporations. In the

Indonesian and Malaysian cases, poor corporate governance practice in family corporations tends to spread to other family corporations. In contrast, large corporations mimic each other's best corporate governance practices and this is evident in a significant positive association of corporate size with corporate governance practices.

The last analysis of the institutional impact on corporate governance practice is at the macro level. Indonesia and Malaysia have different board structures, with Indonesia having adopted a dual board structure and Malaysia a single board structure. Prior research contends that corporate boards play a more important role in the insider corporate governance system, a corporate governance system assumed in Indonesia (Breuer & Salzmann, 2012). Malaysia has taken on an outsider corporate governance system, and hence corporate boards may have a less important role there. Therefore, it can be expected that the normative isomorphism in Indonesian corporations is stronger than in Malaysia.

For coercive isomorphism in Indonesia and Malaysia, this study considers Indonesia's new administration, and the origins of the legal system in both countries. The new administration in Indonesia may have a positive impact on the improvement of corporate governance practice, as it shows concerns over corporate governance development with the introduction of a series of new regulations. However, being a civil law country, as opposed to Malaysia, which uses common law, Indonesia is placed in a weaker position for investors' legal protection and this indicates poorer corporate governance practice. In fact, several country-level governance indicators that have been discussed in the institutional background (Chapter 2) show that Malaysian governance is better than Indonesian.

The results in Table 6.13 show that macro level institutional isomorphism positively and significantly affects corporate governance practice, and thus Hypothesis 6a is rejected. Hypothesis 6a was stated in null as "There is no difference in corporate governance practices between Indonesia and Malaysia". In spite of the descriptive statistics showing that corporate governance practice in Indonesia is poorer than in Malaysia, after controlling for external factors, the multivariate regression analysis finds the recent institutional change in Indonesia has brought a positive improvement. Despite prior research that indicates Indonesian corporate governance practice is one of the worst in ASEAN (ADB, 2014) and macro level indicators (i.e. the origin of the legal system and legal protections) are in favour of Malaysia, this study finds that Indonesian corporations perform better in terms of corporate governance practice.

The findings show that normative pressures exercised by the board of directors in Indonesia, which takes the form of a dual board, provide better pressures than in Malaysia which has the single board. Evidence of the internationalisation of the board of directors in Indonesia is the only positive significant explanatory variable showing the strong influence of the board of directors on corporate governance practice in Indonesia. Furthermore, this result also shows a successful coercive isomorphism at the macro level in Indonesia. Its new administration in 2014, followed by a series of new regulations in corporate governance and corporate disclosures, all contribute to the improvement of corporate governance practice in Indonesia.

In regard to the control variables, LEV is significantly and negatively associated with corporate governance practice in Research Models 1 and 2 for the Malaysian data. For GO, it is only positively significant in Research Model 2 for the Malaysian data. Furthermore, PRO is not significant across all research models. From these results regarding the determinants of corporate governance practice, it can be concluded that all kinds of institutional isomorphism across the three different institutional levels are influential on corporate governance practice in Indonesia and Malaysia. The following section discusses the determinants of corporate governance disclosure in annual reports.

6.3.2. Determinants of corporate governance disclosure in the annual reports

Table 6.14 summarises the multivariate regression results of Research Models 3 and 4. While Research Model 3 tests the whole research sample, two separate analyses of Research Model 4 were run, one on Indonesian data and the other with Malaysian data. Furthermore, this study also extends corporate governance disclosure analysis for these countries by distinguishing between mandatory and voluntary disclosures on a country by country basis. Results are available in Table 6.15. This analysis cannot be conducted in the whole sample due to different regulations in these two countries.

Table 6.14 shows that all models are significant at 1% with $p < 0.0001$. The R-squared for Model 3 is 0.4333, and for Model 4 is 0.5663 for the Indonesian data and 0.2558 for the Malaysian data. From all independent variables observed, only one different result emerges across the three tests. FEBP is significant in Indonesia, but not in Malaysia or in the two countries' data combined. For all other independent variables, CG, FAMP, GOVP, and SIZE, the significance and sign of the coefficients are the same across all tests for all three datasets.

While the average proportion of foreign-educated directors in Malaysia is higher than in Indonesia, foreign-educated directors are not a significant determinant of corporate governance disclosures in Malaysian annual reports. With the reform agenda of the new Indonesian administration, foreign-educated directors in Indonesian corporations are asserting best international practice in regard to corporate governance disclosures in their annual reports. FEBP is significant at 5% in Indonesia.

This finding shows that internationalisation of the board of directors is positively associated with corporate governance disclosures only in Indonesia, hence Hypothesis 1b (There is no association between the percentage of the board of directors which is foreign-educated and the extent of corporate governance disclosure) is only partially supported. This indicates that boards with foreign influence exercise normative pressure to ensure higher transparency in the annual reports in Indonesia. While this may be seen as the better influence of a board of directors in a dual board structure, this may also be interpreted to indicate that shareholder protection in Malaysia, in terms of transparency, is well-institutionalised in corporate practice and does not need further normative pressure at the micro level.

The next four analyses concern the impact of institutional isomorphism at the meso level. Hypothesis 2 (There is no association between corporate governance practice and the extent of corporate governance disclosures) is rejected, as CG is positively significant at 1%. The coefficients of CG in Research Model 3, and Research Model 4 in Indonesia and Malaysia are 1.4145, 1.2046, and 1.0376, respectively. Therefore, it can be concluded that corporate governance practice is positively associated with corporate governance disclosures in Indonesian and Malaysian annual reports. This finding shows that better corporate governance practice leads to more extensive corporate governance disclosures, similar to that of Abdullah, Percy, and Stewart (2015). This supports the notion that corporations mimic other corporations' practices. In this case, corporations with a certain level of corporate governance practice try to keep up with similar corporations in providing corporate governance disclosures.

This research fails to reject Hypothesis 3b, as FAMP is not significant across tests of the three datasets. Hypothesis 3b was stated in null as there is no association between family ownership and the extent of corporate governance disclosures. Thus, the proportion of family ownership is not associated with corporate governance disclosures in the annual reports of Indonesia and Malaysia. Contrary to prior research that found family ownership is negatively associated with corporate disclosure (Al-Akra & Hutchinson, 2013; Ali et al., 2007; Ghazali & Weetman, 2006), this study does not find any association between family ownership and corporate governance disclosures in either countries.

Further analysis of mimetic isomorphism at the meso level shows that the proportion of government ownership is positively associated with corporate governance disclosures in annual reports in Indonesia and Malaysia. Therefore, Hypothesis 4b (there is no association between government ownership and the extent of corporate governance disclosures) is rejected. The coefficient of GOVP in Research Model 3 is 7.7113 and is significant at 1%. For GOVP in Research Model 3 in Indonesia and Malaysia, the coefficients are 10.5687 and 4.6422 respectively, both significant at 1%. This finding provides evidence on mimetic isomorphism at the meso level in government corporations.

The analysis also rejects Hypothesis 5b, as SIZE is significant at 1%. Hypothesis 5b is "There is no association between the corporate size and the extent of corporate governance disclosures". All the coefficients are positive, and therefore corporate size is positively associated with corporate governance disclosures in Indonesian and Malaysian annual reports. This finding provides evidence of mimetic pressures among large corporations, suggesting that large corporations mimic each other's disclosure practices, consequently providing more disclosures.

The last hypothesis, Hypothesis 6b (There is no difference in corporate governance disclosures between Indonesia and Malaysia), is related to institutional isomorphism at the macro level. This research finds that Indonesian corporations provide better corporate governance disclosures in their annual reports compared to Malaysian corporations. Therefore, Hypothesis 6b is also rejected. Similarly to prior research that put Indonesian corporations among the worst performers of corporate governance practice, the ADB (2014) also found that Indonesian corporations were among the worst in this sense in Southeast Asia. However, the current study finds otherwise. Thus, this researcher provides evidence of normative isomorphism through different board structures. Results also indicate that coercive isomorphism on the macro level can influence corporate governance disclosures.

In summary, this research finds evidence of institutional isomorphism at the micro level in Indonesia alone. Institutional isomorphism at the meso level is evident both in Indonesia and Malaysia, with corporate governance practice, the proportion of government ownership, and corporate size positively and significantly associated with corporate governance disclosures in the annual reports. Of all meso level variables, only the proportion of family ownership is not associated with corporate governance disclosures in the annual report. This study also finds evidence of institutional isomorphism at the macro level, with Indonesian corporations providing better corporate governance disclosure, in the sense of a larger incidence and variety of types of disclosures, in their annual reports compared to in Malaysia.

For the control variables in Research Models 3 and 4, Table 6.14 shows that leverage is negatively and significantly associated with all data combined and for Indonesian data. Leverage is significant at 1% in Research Model 3, and significant at 5% in Research Model 4 for the Indonesian data. Profitability is also significantly and positively associated with corporate governance disclosures in annual reports in Research Model 3. The significance level of profitability is 5%.

This research extends corporate governance disclosure analysis by differentiating mandatory and voluntary disclosures for data in Indonesia and Malaysia. The dependent variable used in Table 6.14 is corporate governance disclosures, regardless of whether it is mandatory or voluntary information. The study employs research Model 4 and uses mandatory and voluntary disclosures in Indonesia and Malaysia as the dependent variables, and the results are summarised in Table 6.15. All research models are significant at 1%, with R-squared for Indonesian data being 40% and 56% and for Malaysian data around 20%.

Research Samples

	All data	Indonesia	Malaysia
Intercept	-6.3834*	-7.3905**	8.8555
	(0.0602)	(0.0492)	(0.0302)
FEBP	1.3812	3.0937**	-0.4281
	(0.1535)	(0.0216)	(0.7374)
CG	1.4145***	1.2046***	1.0376***
	(0.0000)	(0.0000)	(0.0001)
FAMP	1.4199	1.7008	0.5269
	(0.1232)	(0.2192)	(0.6205)
GOVP	7.7113***	10.5687***	4.6422***
	(0.0000)	(0.0000)	(0.0034)
SIZE	1.0831***	1.9565***	0.5481***
	(0.0000)	(0.0000)	(0.0036)
MACRO	10.7663***	[redacted]	
	(0.0000)		
LEV	-3.8865***	-3.6112**	-1.7658
	(0.0008)	(0.0283)	(0.2378)
PRO	5.3926**	2.9118	4.6868
	(0.0167)	(0.3297)	(0.2110)
GO	-0.0383	0.0158	0.1361
	(0.7079)	(0.9006)	(0.5032)
R^2	0.4333	0.5663	0.2558
Model	p < 0.0001	p < 0.0001	p < 0.0001
D-W stat	1.6493	1.5704	1.8710

***Table 6.14**.* Determinants of corporate governance disclosures in the annual reports
p-values are presented in parentheses. ***, **, * represent significance level (two tailed) at 1%, 5%, and 10% respectively. Dependent variable is corporate governance disclosures in the annual reports. Independent variables are as follows. FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; MACRO = country variable, 1 if the corporation is listed in Indonesia; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

Similar to results presented in Table 6.14, analysis using mandatory and voluntary disclosures also only finds evidence of institutional isomorphism at the micro level in Indonesia. FEBP, as a proxy for institutional isomorphism at the micro level, is positively and significantly associated with corporate governance disclosures in Indonesia. For mandatory disclosures, it is significant at 1%, with a coefficient of 1.2901 and for voluntary disclosures it is significant at 5%, with a coefficient of 1.8036. In the Malaysian data, this variable is significant neither in mandatory disclosures nor in voluntary disclosures.

Corporate governance practice is also a positive and significant determinant of corporate governance disclosures in the annual reports, both for mandatory and voluntary disclosures, in the two countries. CG is significant at 5% for voluntary disclosures in Malaysia, and at 1% for both mandatory and voluntary disclosures in Indonesia and only for mandatory disclosures in Malaysia. This result is also similar to those in Table 6.14, where corporate governance practice is significant across the three models.

This research also fails to find evidence of an association between the proportion of family ownership and corporate governance disclosures in the annual reports, regardless of whether its status is mandatory or voluntary. The proportion of government ownership and corporate size are not significantly related to mandatory disclosures in Malaysia. These findings may offer support to the previous analysis that transparency is well-institutionalised in Malaysian corporate practice, and as all such corporations, regardless of their ownership structure, adhere to the regulations regarding corporate disclosures. For mandatory and voluntary disclosures in Indonesia, both GOVP and SIZE are positive and significant determinants.

	Research Samples			
	Indonesia – Mandatory Disclosures	**Indonesia – Voluntary Disclosures**	**Malaysia – Mandatory Disclosures**	**Malaysia – Voluntary Disclosures**
Intercept	4.5676**	-11.9580***	9.8436***	-0.9882
	(0.0163)	(0.0000)	(0.0000)	(0.7719)
FEBP	1.2901*	1.8036**	-0.7313	0.3032
	(0.0572)	(0.0359)	(0.1089)	(0.7772)
CG	0.4403***	0.7643***	0.5162***	0.5213**
	(0.0014)	(0.0000)	(0.0000)	(0.0169)
FAMP	1.1461	0.5548	0.3251	0.2018
	(0.1014)	(0.5300)	(0.3913)	(0.8213)
GOVP	4.4411***	6.1276***	0.7483	3.8939***
	(0.0000)	(0.0000)	(0.1816)	(0.0035)
SIZE	0.6326***	1.3239***	0.0883	0.4598***
	(0.0001)	(0.0000)	(0.1836)	(0.0036)
LEV	-1.7280**	-1.8832*	-0.2651	-1.5007
	(0.0375)	(0.0730)	(0.6184)	(0.2321)
PRO	0.6270	2.2848	0.9148	3.7720
	(0.6772)	(0.2316)	(0.4925)	(0.2304)
GO	-0.0397	0.0556	-0.0110	0.1471
	(0.5351)	(0.4932)	(0.8794)	(0.3890)
R^2	0.4002	0.5694	0.2039	0.2099
Model	p < 0.0001	p < 0.0001	p < 0.0001	p < 0.0001
D-W stat	1.7007	1.5513	1.8472	1.8203

***Table 6.15**.* Determinants of mandatory and voluntary corporate governance disclosures in the annual reports

p-values are presented in parentheses. ***, **, * represent significance level (two tailed) at 1%, 5%, and 10% respectively. Dependent variable is mandatory and voluntary corporate governance disclosures in the annual reports. Independent variables are as follows. FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

In summary, mandatory corporate governance disclosures in Malaysia are only influenced by normative isomorphism of corporate governance practice at the meso level. Institutional isomorphism at the micro level and mimetic isomorphism at the meso level do not impact mandatory corporate governance disclosures in Malaysian annual reports. For voluntary corporate governance disclosures in Malaysian annual reports, both normative and mimetic isomorphisms at the meso level are significant determinants. Normative isomorphism at the micro level is only evident in Indonesia, along with normative and mimetic isomorphism at the meso level. All these can be reflected in the mandatory and voluntary corporate governance disclosures in the annual reports in Indonesia. The following section discusses the determinants of corporate governance disclosures on the corporate websites.

6.3.3. Determinants of corporate governance disclosure on the WWW

While corporate governance disclosures in the annual reports is the main focus for the analysis of corporate governance disclosures in this thesis, disclosures on the corporate website were also explored to provide a more complete picture of corporate governance disclosure in Indonesia and Malaysia. Even though WWW disclosures in Indonesia are also regulated, this study finds that disclosures on the WWW are far less common than disclosures in the annual reports. In Malaysia, WWW disclosures are largely voluntary.

Similar to the analysis of the determinants of corporate governance disclosures in annual reports, analysis in this section is also divided into two parts. The first part analyses all 52 corporate governance disclosures, and the results are summarised in Table 6.16. The second part divides corporate governance disclosures into mandatory and voluntary disclosures, with the results summarised in Table 6.17.

Table 6.16 shows that all research models are significant at 1%, with $p < 0.0001$. The R-squared for Research Model 3 is 0.2056. Research Model 4 analyses Indonesian data and Malaysian data separately, with the R-squared for Indonesian data being 0.3225 and for Malaysian data being 0.1267. Research Model 3 analyses the impact of institutional isomorphism at the micro, meso, and macro levels. As Research Model 4 analyses research samples from Indonesia and Malaysia separately, this model does not analyse impact at the macro level. Thus, research Model 4 only analyses the impact of institutional isomorphism at the micro and meso levels.

Unlike the results in the annual reports, analysis of disclosures on the corporate websites fails to reject Hypothesis 1b for all research models. Therefore, internationalisation of the board of directors is not proven to be associated with corporate governance disclosures on the WWW in Indonesia and Malaysia. This research fails to find evidence of normative isomorphism at the micro level of corporate governance disclosures on the corporate websites. What may contribute to this finding is that disclosures on the WWW are supplementary disclosures, because it is not the primary media for corporate governance disclosure in Indonesia and Malaysia. Data shows that the average number of corporate governance disclosures on the WWW comprises less than half of corporate governance disclosures in the annual reports in Indonesia and Malaysia.

This research also does not find evidence of the impact of normative isomorphism at the meso level on corporate governance disclosures on the WWW in Malaysia. Table 6.16 shows that CG, as a proxy of normative isomorphism at the meso level, is not significant in Malaysian data. However, CG is a positive and significant determinant of corporate governance disclosures on the WWW in the combined data and in Indonesia. Therefore, Hypothesis 2 is partially supported. Corporate governance practice is significant at 1% for both Research Models 3 and 4 for Indonesian data. The coefficient for Model 3 is 1.2751 and 1.6198 for Model 4. This finding shows evidence of normative isomorphism at the meso level on corporate governance disclosures on the WWW.

Hypothesis 3b is also partially supported, as the proportion of family ownership is negatively and significantly associated with corporate governance disclosures on the WWW in Malaysia. While this variable is not significant in corporate governance disclosures in the annual reports across all research models, these results find a negative and significant association in one. In this case, the coefficient of -6.5278 and a significance level at 1% indicate that the higher proportion of family ownership, the lower the corporate governance disclosures on the WWW is. This study provides evidence of mimetic isomorphism on family corporations in Malaysia. Such corporations provide fewer disclosures on the WWW for all kinds of disclosures combined and for voluntary disclosures (there being only two mandatory disclosures required on the WWW in Malaysia). This shows that Malaysian family corporations are reluctant to provide corporate governance information on the WWW, as it is largely voluntary.

Further analysis at the meso level shows support for Hypothesis 4b with GOVP not being significant across all three research models. This indicates that government ownership is not associated with corporate governance disclosures on the WWW in Indonesia and Malaysia. Despite findings that show government ownership is positively associated with corporate governance disclosures in the annual reports in both countries, the results from the WWW do not find such evidence.

The only independent variable that is a significant determinant across all three research models is corporate size. Hence, Hypothesis 5b is rejected. Table 6.16 shows that SIZE is significant for all models. In Research Model 3, it is significant at 1%. For Research Model 4, it is significant at 1% for Indonesian data and 5% for Malaysian data. These findings are also similar to those about corporate governance disclosures in the annual reports, in which corporate size is positively associated with the number of disclosures. This shows that mimetic isomorphism in large corporations is an important influence on corporate governance disclosures on the WWW. Larger corporations provide more disclosures and this creates mimetic pressure on other similar sized corporations to provide corporate governance disclosures on the WWW.

The last analysis is related to institutional isomorphism at the macro level. Similar to the findings in corporate governance practice and corporate governance disclosures in the annual reports, this research rejects Hypothesis 6b. Results indicate that Indonesian corporations provide better corporate governance disclosures on the WWW compared to Malaysian corporations. The Indonesian government has been successful in creating coercive pressure on all Indonesian publicly listed corporations. The coercive pressure on WWW disclosures is evident in *layering*, the introduction of new regulations to complement the old ones. In this case, the regulation regarding corporate disclosures on the WWW issued in 2015 complements the 2012 regulation of corporate disclosures in the annual reports.

In summary, this study does not find evidence of the impact of institutional isomorphism at the micro level on corporate governance disclosures on the WWW. At the meso level, normative isomorphism from corporate governance practice is only evident in the whole data of both countries combined and in Indonesian data. For mimetic isomorphism, the proportion of family ownership is only significant in the Malaysian data and corporate size is significant in these three research models. This finding also confirms the evidence of institutional isomorphism at the macro level on corporate governance disclosures on the WWW in Indonesia and Malaysia.

	Research Samples		
	All data	**Indonesia**	**Malaysia**
Intercept	-17.6231	-17.5664	1.7877
	(0.0005)	(0.0007)	(0.8138)
FEBP	-1.9747	-1.5146	-1.4068
	(0.1681)	(0.4059)	(0.5555)
CG	1.2751***	1.6198***	-0.0195
	(0.0000)	(0.0000)	(0.9678)
FAMP	-2.1827	0.4540	-6.5278***
	(0.1095)	(0.8092)	(0.0012)
GOVP	2.0749	3.8025	1.0555
	(0.2990)	(0.1664)	(0.7189)
SIZE	1.1382***	1.5772***	0.7391**
	(0.0000)	(0.0002)	(0.0345)
MACRO	9.5773***	[redacted]	
	(0.0000)		
LEV	0.8961	1.2857	0.5490
	(0.5997)	(0.5640)	(0.8441)
PRO	3.5298	1.0527	2.1735
	(0.2885)	(0.7955)	(0.7558)
GO	-0.0421	-0.0100	0.1161
	(0.7808)	(0.9537)	(0.7599)
R^2	0.2056	0.3225	0.1267
Model	p < 0.0001	p < 0.0001	p < 0.0001
D-W stat	2.0592	2.2330	2.0598

Table 6.16. Determinants of corporate governance disclosures on the WWW

p-values are presented in parentheses. ***, **, * represent significance level (two tailed) at 1%, 5%, and 10% respectively. Dependent variable is corporate governance disclosures on the WWW. Independent variables are as follows. FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; MACRO = country variable, 1 if the corporation is listed in Indonesia; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

Table 6.17 presents the results of Research Model 4, using mandatory disclosures and voluntary disclosures on the WWW as dependent variables. The research model for Indonesian data is significant at 1% with p < 0.0001. The research model for mandatory disclosures in Malaysia is significant at 10% and, for voluntary disclosures, it is significant at 1%. The R-squared of the Indonesian models are relatively higher than those for the Malaysian models, with the R-squared for the mandatory disclosures and voluntary disclosures models being 0.2307 and 0.3542 respectively. For the Malaysian mandatory disclosures model, the R-squared is 0.0654 and for voluntary disclosures, it is 0.1241.

Similar to the analysis of all disclosures, this thesis does not find evidence of the impact of institutional isomorphism at the micro level on voluntary and mandatory corporate governance disclosures on the WWW in Indonesia and Malaysia. Therefore, Hypothesis 1b is not rejected. CG, a proxy for normative isomorphism at the meso level, is significant in three research models. For Research Model 4 with Indonesian data, corporate governance practice is significant at 1% both in mandatory disclosures and voluntary disclosures. For Research Model 4 with Malaysian data, this thesis finds that corporate governance practice is significant at 10% in mandatory disclosures. All coefficients are positive, which indicates that better corporate governance practice leads to a higher extent of corporate governance disclosures on the WWW. Thus, Hypothesis 2 is partially supported. Similar to the practice of mandatory disclosures in annual reports in Malaysia, this variable is the only significant determinant of mandatory corporate governance disclosures on the WWW in that country.

	Research Samples			
	Indonesia – Mandatory Disclosures	**Indonesia – Voluntary Disclosures**	**Malaysia – Mandatory Disclosures**	**Malaysia – Voluntary Disclosures**
Intercept	-7.5305	-10.0359	0.7853	1.0024
	(0.0361)	(0.0000)	(0.3236)	(0.8931)
FEBP	-0.6314	-0.8833	0.1075	-1.5143
	(0.6214)	(0.2594)	(0.6671)	(0.5187)
CG	1.0379***	0.5819***	0.0860*	-0.1055
	(0.0001)	(0.0003)	(0.0896)	(0.8239)
FAMP	0.8355	-0.3815	-0.3172	-6.2106***
	(0.5270)	(0.6367)	(0.1287)	(0.0017)
GOVP	1.9210	1.8816	-0.0936	1.1491
	(0.3187)	(0.1111)	(0.7604)	(0.6903)
SIZE	0.7546**	0.8226***	-0.0218	0.7609**
	(0.0102)	(0.0000)	(0.5488)	(0.0269)
LEV	2.1674	-0.8816	-0.3865	0.9355
	(0.1668)	(0.3573)	(0.1869)	(0.7332)
PRO	1.3098	-0.2571	0.1184	2.0550
	(0.6459)	(0.8828)	(0.8714)	(0.7649)
GO	-0.0375	0.0275	0.0068	0.1093
	(0.7568)	(0.7106)	(0.8636)	(0.7699)
R^2	0.2307	0.3542	0.0654	0.1241
Model	p < 0.0001	p < 0.0001	p < 0.1000	p < 0.0100
D-W stat	2.1912	2.0688	1.8160	2.0505

Table 6.17. Determinants of mandatory and voluntary corporate governance disclosures on the WWW

p-values are presented in parentheses. ***, **, * represent significance level (two tailed) at 1%, 5%, and 10% respectively. Dependent variable is mandatory and voluntary corporate governance disclosures on the WWW. Independent variables are as follows. FEBP = proportion of foreign-educated directors; CG = corporate governance practice; FAMP = proportion of family ownership; GOVP = proportion of government ownership; SIZE = natural logarithm of total assets; LEV = debt to total assets; PRO = return on assets; GO = Tobin's Q.

While GOVP is not significant in any of the four research models, which supports Hypothesis 4b, Hypothesis 3b is only partially supported as FAMP is significant for voluntary disclosures in Malaysia. The -6.2106 coefficient of FAMP, which is significant at 1%, shows that the proportion of family ownership is a negative and significant determinant of voluntary corporate governance disclosures on the WWW. With corporate governance disclosures on the WWW in Malaysia being largely voluntary, Malaysian family corporations tend to provide fewer disclosures through this channel. This result is also in line with prior research that concludes that family corporations provide fewer disclosures (Al-Akra & Hutchinson, 2013; Ali et al., 2007).

The last independent variable is corporate size, which is not a significant determinant for mandatory corporate governance disclosures on the WWW. In Indonesian data, corporate size is significant at 5% with coefficient 0.7546. For voluntary corporate governance disclosures, it is significant at 1%. Corporate size is also significant at 5% in voluntary corporate governance disclosures on the WWW. These results show that only institutional isomorphism at the meso level influences mandatory and voluntary corporate governance disclosures on the WWW. The following section summarises all research findings in Sections 6.3.1, 6.3.2, and 6.3.3.

6.3.4. Summary of empirical results

Table 6.18 summarises regression results exploring the determinants of corporate governance practice in Indonesia and Malaysia. Institutional isomorphisms at three levels, micro, meso, and macro, are significant determinants of corporate governance practice in the two countries. From three measurements of institutional isomorphisms at the meso level in Research Models 1 and 2, only the proportion of government ownership is not significant.

	Model 1	**Model 2**	
	All data	**Indonesia**	**Malaysia**
FEBP	Significant +	Significant +	Significant +
FAMP	Significant -	Significant -	Significant -
GOVP	No relation	No relation	No relation
SIZE	Significant +	Significant +	Significant +
MACRO	Significant +		

Table 6.18. Results summary of corporate governance practice determinants

Table 6.19 presents the summary of determinants of corporate governance disclosures in the annual reports in Indonesia and Malaysia. While institutional isomorphism at the macro level determines corporate governance disclosures in the annual reports in Indonesia and Malaysia, institutional isomorphism at the micro level does not have any impact in Malaysia. Institutional isomorphism at the meso level is a significant determinant for disclosures in both countries, with some differences across different type of disclosures (mandatory or voluntary). This study does not find evidence of institutional isomorphism in family corporations.

	Model 3	**Model 4 – Indonesia**			**Model 4 – Malaysia**		
	All data	**All disc**	**Mandatory**	**Voluntary**	**All disc**	**Mandatory**	**Voluntary**
FEBP	No relation	Significant +	Significant +	Significant +	No relation	No relation	No relation
CG	Significant +	Significant +	Significant +	Significant +	Significant +	Significant +	Significant +
FAMP	No relation	No relation	No relation	No relation	No relation	No relation	No relation
GOVP	Significant +	Significant +	Significant +	Significant +	Significant +	No relation	Significant +
SIZE	Significant +	Significant +	Significant +	Significant +	Significant +	No relation	Significant +
MACRO	Significant +						

Table 6.19. Results summary of corporate governance disclosures determinants in the annual reports

Table 6.20 shows that there is no impact of normative isomorphism through the existence of a foreign-educated directors on corporate governance WWW disclosures in Indonesia and Malaysia. At the meso level, institutional isomorphism influences WWW disclosures in Indonesia and Malaysia (either through corporate governance practice, the proportion of family ownership, or corporate size). Similar to the above two results, institutional isomorphism at the macro level is a significant determinant for corporate governance disclosures on the WWW in Indonesia and Malaysia.

	Model 3	**Model 4 – Indonesia**			**Model 4 – Malaysia**		
	All data	**All disc**	**Mandatory**	**Voluntary**	**All disc**	**Mandatory**	**Voluntary**
FEBP	No relation	No relation	No relation	No relation	No relation	No relation	No relation
CG	Significant +	Significant +	Significant +	Significant +	No relation	Significant +	No relation
FAMP	No relation	No relation	No relation	No relation	Significant -	No relation	Significant -
GOVP	No relation	No relation	No relation	No relation	No relation	No relation	No relation
SIZE	Significant +	Significant +	Significant +	Significant +	Significant +	No relation	Significant +
MACRO	Significant +						

Table 6.20. Results summary of corporate governance disclosures determinants on the WWW

The following section discusses the robustness of the results in this research.

6.4. Robustness tests

This study examined assumptions in multiple regression analysis to ensure that the results of the multiple regression analysis presented in this thesis are reliable. The first robustness test is regarding multicollinearity problems. Two methods were employed to ensure that multicollinearity is not a problem in the multiple regression analyses. The first method uses the Pearson's bivariate correlation matrix (Gujarati & Porter, 2009; Tabachnick & Fidell, 2013). According to these researchers, a serious multicollinearity problem exists if the correlation between two independent variables exceeds 0.8. All bivariate correlation coefficients between independent variables in Tables 6.10, 6.11, and 6.12 are below 0.8. Therefore, this indicates that a multicollinearity problem does not seriously threaten the robustness of the results of the multiple regression analysis. The second method to test for a multicollinearity problem is by using the Variance Inflation Factor Test. Kline (2005) contends that a threat of multicollinearity is indicated by a variance inflation factor value more than 10. In this research, this value, for all independent variables, is less than 10. Therefore, this method fails to identify that multicollinearity is a serious problem in this research.

The next robustness test is related to autocorrelation problems. This study used the Durbin-Watson statistic, as a measure of the autocorrelation of errors, to determine whether an autocorrelation problem exists. Following Hutcheson and Sofroniou (1999), this research used the rule of thumb range for the Durbin-Watson statistic of between 1.5 and 2.5. If the Durbin-Watson statistic of a research model falls within this range, an autocorrelation problem is not present. All research models in this thesis have a Durbin-Watson statistic of between 1.5 and 2.5. Therefore, this indicates that autocorrelation falls within acceptable norms.

A further potential threat is the issue of a heteroscedasticity. The Breusch-Pagan-Godfrey test was implemented to ascertain the presence or absence of this heteroscedasticity problem. If the Breusch-Pagan-Godfrey test statistic has a p-value below 0.05, then heteroscedasticity is assumed. In order to eliminate the potential for a heteroscedasticity problem, Huber-White standard errors were applied (Gujarati & Porter, 2009). The results of the application of Huber-White standard errors do not significantly differ with the original results.

The last robustness test relates to the endogeneity problem. Ntim, Opong, and Danbolt (2012) contend that an endogeneity problem exists within a research model if the dependent and independent variables are highly correlated with the error term. The existence of an endogeneity problem can alter empirical findings significantly (Core, Guay, & Rusticus, 2006). To test whether an endogeneity problem exists for corporate governance disclosures and corporate governance practice in this research, the Durbin-Wu-Hausman Test was applied. The failure to reject a null hypothesis of the Durbin-Wu-Hausman Test indicates that significant endogeneity problem does not exist and the ordinary least square method should suffice (Beiner, Drobetz, Schmid, & Zimmermann, 2006; Khandker, Koolwal, & Samad, 2010). Results indicate that for all research models, there was a failure to reject a null hypothesis using the Durbin-Wu-Hausman Test. Therefore, endogeneity does not present a serious problem for this research.

6.5. Sensitivity analysis

Sensitivity analysis was performed to confirm the robustness of the research findings. This analysis tests the appropriateness of the proxies used to test all the research models in this thesis. To do this, the data were run and tested differently. Initially, only PRO was removed and multiple regression analysis conducted. Then only GO was taken out and the data similarly tested for multiple regression. Thirdly both PRO and GO were eliminated before the multiple regression analysis. However, the from those three sensitivity tests are largely similar in terms of significance level and sign, R-squared, and the model significance. Furthermore, the same procedure was undertaken separately for FAMP and GOVP, and FAMP and GOVP together. As with the findings above, the results from multiple regression analysis of these three sensitivity tests are also largely similar in terms of the independent variables' significance level and sign, R-squared, and the model significance.

The only difference in results from the sensitivity analysis is found when FEBP is replaced with foreign boards. FEBP is a measure of the proportion of foreign-educated boards, while foreign boards are measured by the proportion of foreign boards in a corporation. This research finds that foreign boards are not a significant determinant across all research models. This indicates that while internationalisation plays an important role in corporate governance practice and disclosures by corporations in both countries, this also requires 'international' directors that have a good knowledge of local practice. Therefore, foreign-educated boards provide an appropriate proxy for institutional isomorphism at the micro level as the majority of the foreign-educated boards are local and have a good knowledge of local practices. Furthermore, this also confirms that the corporate governance practices and systems in each country are different and that the existence of foreign boards does not necessarily improve corporate governance practices and disclosures by corporations in Indonesia and Malaysia.

6.6. Conclusion

This chapter has provided the results and analysis of all research models to find the determinants of corporate governance practice and corporate governance disclosures in Indonesia and Malaysia. In general, corporate governance practice in Indonesia is poorer than in Malaysia. However, the number of corporate governance disclosures in Indonesia is generally higher, mainly contributed to by more mandatory disclosure requirements in Indonesia compared with Malaysia. Internationalisation of the board of directors, measured by the proportion of foreign-educated directors, is greater in Malaysia.

The empirical results show that institutional isomorphism at three different levels is a significant determinant of corporate governance practice and corporate governance disclosures, with the exception of corporate governance disclosures on the WWW. This study also finds evidence that institutional changes at the macro level in Indonesia have been successful in improving corporate governance practice and corporate governance disclosures in the country. The results from ordinary least square multivariate regression analysis are robust for multicollinearity, autocorrelation, heteroscedasticity, and endogeneity problems. Furthermore, several sensitivity tests support the appropriateness of the proxies used to test the models of these results. The next chapter concludes this thesis.

Chapter 7 Conclusion

7.1. Introduction

This chapter summarises and concludes this thesis. The research for this thesis has two objectives. The first is to document the corporate governance practice and corporate governance disclosures in Indonesia and Malaysia. The second is to examine whether coercive isomorphism, mimetic isomorphism, and normative isomorphism at the micro, meso, and macro levels are associated with corporate governance practice and disclosures by corporations in these two countries. To address these research objectives, six main hypotheses were developed based on institutional isomorphism at the three levels. To test these hypotheses, this study employed ordinary least square multivariate regression analysis on the data from the 200 largest Indonesian corporations and the 200 largest Malaysian corporations. A summary of the main findings and conclusions regarding the determinants of corporate governance practice, corporate governance disclosures in annual reports, and corporate governance disclosures on the WWW are presented in the next section. Section 7.3 then discusses the contributions of this thesis, followed by Section 7.4 which outlines its limitations. The last section, Section 7.5, suggests some directions for future research.

7.2. Summary and conclusion

7.2.1. Corporate governance practice in Indonesia and Malaysia

The first part of this thesis analyses corporate governance practice in Indonesia and Malaysia. In general, corporate governance practice in Indonesia is poorer than in Malaysia. From the maximum score of 9, the average score of corporate governance practices in Indonesia and Malaysia are 6.47 and 8.00 respectively. This study used the corporate governance score developed by Sawicki (2009) who has conducted her research in Southeast Asia. In her corporate governance scoring, she incorporates nine criteria which include the board of directors and committees for audit, remuneration, and nomination. The volatility of corporate governance practice score in Indonesia is also higher than in Malaysia, with 1.65 in Indonesia and 1.06 in Malaysia. This higher volatility indicates that corporate governance practices in Indonesia are spreads over a broader range than in Malaysia.

Furthermore, this research also finds that of the corporations that have the lowest score of corporate governance practices in these two countries, all are family corporations.

Both Indonesian and Malaysian corporations follow the required corporate governance practice well, with three mandatory requirements in Indonesia and four mandatory requirements in Malaysia. The findings show only a few corporations that do not follow these mandated requirements. The differences between the corporate governance practice scores of the two countries are driven by how corporations follow recommended practice. The two recommended practices least followed by Indonesian corporations are the existence of a remuneration and a nomination committee. This contrasts with the Malaysian corporations, where most follow all recommended practices. In Malaysia less than 10% of the corporations do not follow the recommendation to have chairman and CEO separation, and existence of a remuneration committee. These differences might be explained by the different corporate governance reform history in Indonesia and Malaysia.

As corporate governance reform in Malaysia was driven by the government's agenda, it is possible that Malaysian corporations have more pressure on them to acknowledge the importance of good corporate governance practice. In contrast, corporate governance reform in Indonesia was driven by externally imposed IMF requirements and therefore Indonesian have been less willing to acknowledge the importance of good corporate governance practice at the time of observations.

In regard to the impact of institutional isomorphism at three levels, the research for this thesis finds institutional isomorphism at all three levels influences corporate governance practice in Indonesia and Malaysia. Normative isomorphism at the micro level, through normative pressures from foreign-educated boards, is positively and significantly associated with corporate governance practice in Indonesia and Malaysia. Mimetic isomorphism at the meso level, through mimetic pressures from family-owned corporations and large corporations, is significantly associated with corporate governance practice in these two countries. Furthermore, normative isomorphism and coercive isomorphism at the macro level is also positively and significantly associated with corporate governance practice in Indonesia and Malaysia. The following section summarises and concludes the determinants of corporate governance disclosures in annual reports in Indonesia and Malaysia.

7.2.2. Corporate governance disclosure in annual reports in Indonesia and Malaysia

The second part of this thesis explores the determinants of corporate governance disclosure in annual reports in Indonesia and Malaysia. This research finds that annual report is the primary media used by corporations to provide corporate governance information. In general, the level of corporate governance disclosure in Indonesian annual reports similar to the level of disclosure in Malaysia. The average score of this disclosure in Indonesia is 29.09 and in Malaysia 28.87. While corporate governance practice in Malaysia is better than that of Indonesia, this thesis finds that Malaysian corporations are less focused on corporate governance disclosures. This might be explained by two factors. First, Indonesia’s marginally higher result may be contributed to by the higher requirements for mandatory corporate governance disclosures in annual reports in Indonesia. In Indonesia, there are 21 required types of information to be disclosed in the annual reports. In Malaysia, the required disclosures are only 17. This is reflected in the average score of mandatory corporate governance disclosures in Indonesia being also slightly higher than in Malaysia, with 16.85 in Indonesia and 15.39 in Malaysia. However, the level of voluntary corporate governance disclosures in Malaysia is higher than in Indonesia. This may also be contributed by more extensive voluntary disclosures in Malaysia, due to less extensive mandatory disclosure requirements. This research finds an average score of 13.48 for voluntary corporate governance disclosures in Malaysian annual reports, as opposed to a score of 12.24 in Indonesia. Second, this thesis support Ghazali and Weetman (2006) who contend that Malaysian family corporations outweighed government’s agenda to increase transparency. As Malaysian corporations in this thesis is dominated by family corporations (135 corporations), this may provide an explanation on why the level of corporate governance disclosure in Malaysian annual reports similar to that of Indonesia, despite having better corporate governance practice.

Despite the mandatory requirements, not all corporations provide mandatory disclosures in the annual reports. In Indonesia, there are only two kinds of information disclosed by all Indonesian corporations in the research sample. These are financial and operating results and the composition of the board. In Malaysia, four kinds of information disclosed by all Malaysian corporations: ownership structure, financial and operating results, board’s responsibilities regarding financial communications, and governance structures. The mandatory information regarded as the least important in Indonesia and Malaysia is the performance evaluation process disclosure in Indonesia, and auditors’ involvement in non-audit work and the fees paid to the auditors in Malaysia. The findings show that corporations in both countries do not fully comply with the mandatory disclosure requirements, with only 29 Indonesian corporations and 26 Malaysian corporations fully complied with these requirements. While 141 Malaysian corporations fail to provide one or two mandatory information in the annual reports, it varies in Indonesia with 124 Indonesian corporation do not provide more than two mandatory information. Therefore, the regulators in both countries need to exercise regulatory enforcement to ensure that all corporations provide all required disclosures in the annual reports.

In regard to voluntary disclosures, 197 Indonesian corporations provide voluntary disclosures of board independence in their annual reports. In Malaysia, two voluntary disclosures disclosed by all Malaysian corporation. These are check and balance mechanisms, and the composition of the board.

Furthermore, the analysis of institutional isomorphism at three levels shows different results for the two countries. While the impact of foreign-educated boards is positive and significant in Indonesia, it is not significant in Malaysia. There is less variation in Malaysia where majority of the boards are foreign dominated. There are 168 Malaysian corporations that have more than 50% of foreign-educated directors in their companies. In Indonesia, there are 109 corporations that have more than 50% foreign-educated directors. Furthermore, there are 16 Indonesian corporations that do not have foreign-educated directors at all. In Malaysia, there is no corporations that do not have foreign-educated director sits in its board. This may show that foreign-educated boards are influential in improving corporate governance disclosures in the annual reports in Indonesia. Similarly to the results of corporate governance practice, this research also finds that institutional change in Indonesia drives the improvement of corporate governance disclosures there. At the meso level, normative isomorphism through corporate governance practice is positively and significantly associated with all research models. Mimetic pressures from government-owned corporations and large corporations also influence corporate governance disclosures in the annual reports, with the exception of mandatory disclosures in Malaysia. The following section provides a summary and conclusion of corporate governance disclosures on the WWW in Indonesia and Malaysia.

7.2.3. Corporate governance disclosure on the WWW in Indonesia and Malaysia

This research finds that the WWW is the secondary media used to provide corporate governance disclosures, and therefore is supplementary to the annual report disclosures. The frequency and number of different types of corporate governance disclosure on the WWW in Indonesia and Malaysia are far lower than in the annual reports. The average score of corporate governance disclosure on the WWW is less than half the average score of the disclosure in the annual reports in both countries. The rounded average score of corporate governance disclosure on the WWW in both countries is 14.33, with the Indonesian average score only a little higher at the level of one thousandth of a decimal number. This score shows that while in Malaysia the disclosures on the WWW are largely voluntary, the WWW disclosure of two countries in general is almost the same in terms of frequency and number of types of disclosures. The findings also show the need for regulators in Indonesia and Malaysia to continue encouraging corporations to use the WWW for corporate governance disclosure.

This research further analyses whether corporations use the WWW to supplement the annual reports. Results indicate that 95 Indonesian corporations use WWW disclosure to provide information regarding the process for holding annual general meetings, which has not been disclosed in their annual reports. In Malaysia, 41 corporations use the WWW to disclose the types and duties of outside board and management positions, information that has not been provided in their annual reports.

Unlike the results of corporate governance practice and corporate governance disclosures in annual reports, this research does not find the influence of micro level institutional pressures in either country. However, the macro level institutional pressures still show a positive and significant association with corporate governance disclosures on the WWW. There are some variations regarding the results of institutional isomorphism at the meso level. Normative pressures from corporate governance practice is a positive and significant determinant for all data combined and for Indonesian data. For Malaysian data, it is only positively and significantly associated with the mandatory disclosures. The mimetic pressures from family corporations are only found in all disclosures in Malaysia and also in Malaysian voluntary disclosures, with the proportion of family corporations bringing a negative impact to corporate governance disclosures on the WWW in Malaysia. Furthermore, mimetic isomorphism through corporate size is found almost in all research models, with the exception of mandatory disclosures in Malaysia. The following section discusses the contributions of this thesis.

7.3. Contributions

This thesis provides a complete picture of corporate governance practice and corporate governance disclosures in Indonesia and Malaysia. While previously the majority of corporate governance disclosure studies in emerging countries has only considered disclosures in annual reports, this thesis's research also considers disclosures on the WWW. This study shows that regulators need to encourage Indonesian and Malaysian corporations to use WWW disclosures more, as it is the current best practice for corporate governance disclosures in developed countries.

Furthermore, this research contributes to providing evidence of the impact of institutional isomorphisms at three levels on corporate governance practice and disclosures by corporations in the two countries. First, at the micro level, the importance of internationalisation is shown in improving corporate governance practice and disclosures. An international board, being defined as a foreign-educated directors, may bring foreign culture and influence to exercise normative pressures for corporate governance practice and disclosure improvement. This study also finds evidence of institutional isomorphism at the meso level influencing corporate governance practice and disclosures in the two countries. Lastly, this research also documents how institutional changes in a country may support the improvement of corporate governance practice and disclosures. This research shows how Malaysian government's agenda to reform corporate governance practice following financial crisis was successful, as opposed to externally imposed IMF requirements in Indonesia. However, current Indonesian government's concerns over corporate governance and disclosures have been successful in improving such practices. While a 2014 ADB report (ADB, 2014) shows poor corporate governance disclosures in Indonesia, this thesis documents a significant improvement in Indonesia and finds the similar level of corporate governance disclosures between Indonesian and Malaysian corporations. These research findings suggest that both corporations and regulators have to consider all these three levels to improve corporate governance practice and disclosures.

7.4. Limitations

Although this study attempts to makes conclusions regarding the population of corporation in Indonesia and Malaysia, its sample is limited to the largest 200 corporations each in Indonesia and Malaysia. While the market capitalisation of these 200 corporations represents more than half of each country's national market capitalisation, these samples may not cover the practices and disclosures of smaller corporations. It might be expected the smaller corporations will have greater variation in the quality of their corporate governance practice and disclosures.

Furthermore, data from the 2015 annual reports and WWW disclosures was collected in February to March 2016, and September to October 2016. In Indonesia, the Indonesian Financial Services Authority released two new regulations on WWW disclosures and corporate governance in 2015. Therefore, there is a possibility that not all Indonesian corporations have fully complied with these two new regulations and this research captures the early adopters.

Finally, only one proxy for institutional isomorphism at the micro level has been considered. The limited availability of micro level data, especially in Indonesia (i.e. ethnicity of the board, religion of the board), hinders the potential for additional proxies to test the impact of institutional isomorphism at the micro level.

7.5. Future research

Future research may envisage a longitudinal analysis to analyse whether there is a continuous improvement of corporate governance practice and disclosures over time in similar settings, and also across other samples. Especially with Indonesia, where research sample in this thesis may be thought of as the early adopters, a research sample from the year or years beyond 2015 may provide further evidence of institutional isomorphism.

Furthermore, future research may also investigate testing whether these institutional isomorphisms are 'sticky' over time. There is a possibility that current corporate governance practice and disclosures are not only influenced by current measures of institutional isomorphism but also by institutional isomorphism from prior years. Lastly, as this thesis finds a hint that the lowest scoring corporations for corporate governance practice and disclosures are mostly family corporations, future research may also consider focusing on the study of family corporations. As there are a great number of family corporations in Indonesia and Malaysia, this may provide evidence about whether there are different impacts of institutional isomorphism in these family corporations.

References

Abdullah, W. A. W., Percy, M., & Stewart, J. (2015). Determinants of voluntary corporate governance disclosure: Evidence from Islamic banks in the Southeast Asian and the Gulf Cooperation Council regions. *Journal of Contemporary Accounting & Economics, 11*(3), 262-279. doi:10.1016/j.jcae.2015.10.001

AbuGhazaleh, N. M., Qasim, A., & Haddad, A. E. (2012). Perceptions and attitudes toward corporate website presence and its use in investor relations in the Jordanian context. *Advances in Accounting, 28*(1), 1-10. doi:10.1016/j.adiac.2012.02.004

ADB. (2014). ASEAN corporate governance scorecard: Country reports and assessments 2013–2014. Mandaluyong City: Asian Development Bank.

Aguilera, R. V., Desender, K., Bednar, M. K., & Lee, J. H. (2015). Connecting the Dots. *The Academy of Management Annals, 9*(1), 483-573. doi:10.1080/19416520.2015.1024503

Aguilera, R. V., Desender, K. A., & de Castro, L. R. K. (2012). A Bundle Perspective to Comparative Corporate Governance. In T. Clarke & D. Branson (Eds.), *The SAGE Handbook of Corporate Governance* (pp. 379-405). London: SAGE Publications Ltd.

Aguilera, R. V., & Jackson, G. (2003). The Cross-National Diversity of Corporate Governance: Dimensions and Determinants. *The Academy of Management Review, 28*(3), 447-465. doi:10.2307/30040732

Aguilera, R. V., & Jackson, G. (2010). Comparative and International Corporate Governance. *The Academy of Management Annals, 4*(1), 485-556. doi:10.1080/19416520.2010.495525

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review, 32*(3), 836-863. doi:10.5465/AMR.2007.25275678

Ahmad, S. S. S. (2014). Introduction to the Malaysian legal system and sources of law. Retrieved from http://www.nyulawglobal.org/globalex/Sources_Law_Malaysia1.html

Al-Akra, M., & Hutchinson, P. (2013). Family firm disclosure and accounting regulation reform in the Middle East: The case of Jordan. *Research in Accounting Regulation, 25*(1), 101-107. doi:10.1016/j.racreg.2012.11.003

Al-Malkawi, H.-A. N., Pillai, R., & Bhatti, M. I. (2014). Corporate governance practices in emerging markets: The case of GCC countries. *Economic Modelling, 38*, 133-141. doi:10.1016/j.econmod.2013.12.019

Al Farooque, O., van Zijl, T., Dunstan, K., & Karim, A. K. M. W. (2007). Corporate Governance in Bangladesh: Link between Ownership and Financial Performance. *Corporate Governance: An International Review, 15*(6), 1453-1468. doi:10.1111/j.1467-8683.2007.00657.x

Ali, A., Chen, T.-Y., & Radhakrishnan, S. (2007). Corporate disclosures by family firms. *Journal of Accounting and Economics, 44*(1–2), 238-286. doi:10.1016/j.jacceco.2007.01.006

Allegrini, M., & Greco, G. (2013). Corporate boards, audit committees and voluntary disclosure: evidence from Italian Listed Companies. *Journal of Management & Governance, 17*(1), 187-216. doi:10.1007/s10997-011-9168-3

Alnasser, S. (2012). What has changed? The development of corporate governance in Malaysia. *The Journal of Risk Finance, 13*(3), 269-276. doi:10.1108/15265941211229271

Alon, A., & Dwyer, P. D. (2016). SEC's acceptance of IFRS-based financial reporting: An examination based in institutional theory. *Accounting, Organizations and Society, 48*, 1-16. doi:10.1016/j.aos.2015.11.002

Amran, A., & Devi, S. S. (2008). The impact of government and foreign affiliate influence on corporate social reporting: The case of Malaysia. *Managerial Auditing Journal, 23*(4), 386-404. doi:10.1108/02686900810864327

Amran, A., & Haniffa, R. (2011). Evidence in development of sustainability reporting: a case of a developing country. *Business Strategy and the Environment, 20*(3), 141-156. doi:10.1002/bse.672

Ang, J. S., & Ding, D. K. (2006). Government ownership and the performance of government-linked companies: The case of Singapore. *Journal of Multinational Financial Management, 16*(1), 64-88. doi:10.1016/j.mulfin.2005.04.010

Archambault, J. J., & Archambault, M. E. (2003). A multinational test of determinants of corporate disclosure. *The International Journal of Accounting, 38*(2), 173-194. doi:10.1016/S0020-7063(03)00021-9

Ashbaugh, H., Johnstone, K. M., & Warfield, T. D. (1999). Corporate Reporting on the Internet. *Accounting Horizons, 13*(3), 241-257.

Aspinall, E., & Mietzner, M. (2014). Indonesian Politics in 2014: Democracy's Close Call. *Bulletin of Indonesian Economic Studies, 50*(3), 347-369. doi:10.1080/00074918.2014.980375

ASX Corporate Governance Council. (2014). Corporate governance principles and recommendations 3rd edition. Sydney: Australian Securities Exchange.

Balachandran, B., & Faff, R. (2015). Corporate Governance, Firm Value and Risk: Past, Present, and Future. *Pacific-Basin Finance Journal*. doi:10.1016/j.pacfin.2015.07.002

Balsmeier, B., Bermig, A., & Dilger, A. (2013). Corporate governance and employee power in the boardroom: An applied game theoretic analysis. *Journal of Economic Behavior & Organization, 91*(0), 51-74. doi:10.1016/j.jebo.2013.04.004

Barros, C. P., Boubaker, S., & Hamrouni, A. (2013). Corporate governance and voluntary disclosure in France. *The Journal of Applied Business Research, 29*(2), 561-577.

Baskerville, R. F. (2003). Hofstede never studied culture. *Accounting, Organizations and Society, 28*(1), 1-14. doi:10.1016/S0361-3682(01)00048-4

Basri, M. C., & Hill, H. (2008). Indonesia – Trade Policy Review 2007. *The World Economy, 31*(11), 1393-1408. doi:10.1111/j.1467-9701.2008.01134.x

Basri, M. C., & Hill, H. (2010). *Indonesian Growth Dynamics*. Working Paper in Trade and Development, (2010/10). The Australian National University, Canberra.

Beattie, V. (2014). Accounting narratives and the narrative turn in accounting research: Issues, theory, methodology, methods and a research framework. *The British Accounting Review, 46*(2), 111-134. doi:10.1016/j.bar.2014.05.001

Beattie, V., McInnes, B., & Fearnley, S. (2004). A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes. *Accounting Forum, 28*(3), 205-236. doi:10.1016/j.accfor.2004.07.001

Bebbington, J., Higgins, C., & Frame, B. (2009). Initiating sustainable development reporting: evidence from New Zealand. *Accounting, Auditing & Accountability Journal, 22*(4), 588-625. doi:10.1108/09513570910955452

Beddewela, E., & Herzig, C. (2013). Corporate social reporting by MNCs' subsidiaries in Sri Lanka. *Accounting Forum, 37*(2), 135-149. doi:10.1016/j.accfor.2012.09.001

Beiner, S., Drobetz, W., Schmid, M. M., & Zimmermann, H. (2006). An Integrated Framework of Corporate Governance and Firm Valuation. *European Financial Management, 12*(2), 249-283. doi:10.1111/j.1354-7798.2006.00318.x

Benda, H. J. (1966). The Pattern of Administrative Reforms in the Closing Years of Dutch Rule in Indonesia. *The Journal of Asian Studies, 25*(4), 589-605. doi:10.2307/2051493

Berle, A. A., & Means, G. C. (1932). *The modern corporation & private property*. New York: Harcourt.

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. *Journal of Accounting and Economics, 50*(2-3), 296-343. doi:10.1016/j.jacceco.2010.10.003

Bhasa, M. P. (2004). Understanding the corporate governance quadrilateral. *Corporate Governance: The international journal of business in society, 4*(4), 7-15. doi:10.1108/14720700410558844

Bonsón, E., & Escobar, T. (2006). Digital reporting in Eastern Europe: An empirical study. *International Journal of Accounting Information Systems, 7*(4), 299-318. doi:10.1016/j.accinf.2006.09.001

Bradbury, M. E. (1992). Voluntary Disclosure of Financial Segment Data: New Zealand Evidence. *Accounting & Finance, 32*(1), 15-26. doi:10.1111/j.1467-629X.1992.tb00174.x

Brammer, S., Jackson, G., & Matten, D. (2012). Corporate Social Responsibility and institutional theory: new perspectives on private governance. *Socio-Economic Review, 10*, 3-28. doi:10.1093/ser/mwr030

Breuer, W., & Salzmann, A. J. (2012). National Culture and Corporate Governance. In S. Boubaker, B. D. Nguyen, & D. K. Nguyen (Eds.), *Corporate Governance: Recent Developments and New Trends* (pp. 369-398). Berlin: Springer-Verlag.

Briano-Turrent, G. d. C., & Rodríguez-Ariza, L. (2016). Corporate governance ratings on listed companies: An institutional perspective in Latin America. *European Journal of Management and Business Economics, 25*(2), 63-75. doi:doi.org/10.1016/j.redeen.2016.01.001

Brown, C. (2003). *A short history of Indonesia: the unlikely nation?* Crows Nest: Allen & Unwin.

Brown, P., Beekes, W., & Verhoeven, P. (2011). Corporate governance, accounting and finance: A review. *Accounting & Finance, 51*(1), 96-172. doi:10.1111/j.1467-629X.2010.00385.x

Bubela, T., Nisbet, M. C., Borchelt, R., Brunger, F., Critchley, C., Einsiedel, E., . . . Spear, M. (2009). Science communication reconsidered. *Nature Biotechnology, 27*(6), 514-518. doi:10.1038/nbt0609-514

Bursa Malaysia. (2016a). Continuing Disclosure (Vol. Chapter 9). Kuala Lumpur: Bursa Malaysia.

Bursa Malaysia. (2016b). Corporate Governance (Vol. Chapter 15). Kuala Lumpur: Bursa Malaysia.

Cadbury, A. (1992). *Report of the committee on the financial aspects of corporate governance*. London: Gee.

Carney, M., Gedajlovic, E., & Yang, X. (2009). Varieties of Asian capitalism: Toward an institutional theory of Asian enterprise. *Asia Pacific Journal of Management, 26*(3), 361-380. doi:10.1007/s10490-009-9139-2

Chang, J. C., & Sun, H.-L. (2009). Crossed-listed foreign firms' earnings informativeness, earnings management and disclosures of corporate governance information under

SOX. *The International Journal of Accounting, 44*(1), 1-32. doi:10.1016/j.intacc.2008.12.004

Chau, G. K., & Gray, S. J. (2002). Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore. *The International Journal of Accounting, 37*(2), 247-265. doi:10.1016/S0020-7063(02)00153-X

Chau, G. K., & Gray, S. J. (2010). Family ownership, board independence and voluntary disclosure: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation, 19*(2), 93-109. doi:10.1016/j.intaccaudtax.2010.07.002

Cheah, H.-B., & Cheah, M. (2003). Doing the right thing: incorporating the ethical imperative into the sustainable development process. In J. B. Kidd & F.-J. Richter (Eds.), *Corruption and governance in Asia* (pp. 225-250). New York: Palgrave Macmillan.

Chen, V. Z., Li, J., & Shapiro, D. M. (2011). Are OECD-prescribed “good corporate governance practices” really good in an emerging economy? *Asia Pacific Journal of Management, 28*(1), 115-138. doi:10.1007/s10490-010-9206-8

Chow, C. W., & Wong-Boren, A. (1987). Voluntary Financial Disclosure by Mexican Corporations. *The Accounting Review, 62*(3), 533-541. doi:10.2307/247575

Chung, K. H., Elder, J., & Kim, J.-C. (2010). Corporate Governance and Liquidity. *Journal of Financial and Quantitative Analysis, 45*(02), 265-291. doi:10.1017/S0022109010000104

Claessens, S., & Fan, J. P. H. (2002). Corporate Governance in Asia: A Survey. *International Review of Finance, 3*(2), 71-103. doi:10.1111/1468-2443.00034

Claessens, S., & Yurtoglu, B. B. (2013). Corporate governance in emerging markets: A survey. *Emerging Markets Review, 15*, 1-33. doi:10.1016/j.ememar.2012.03.002

Clarkson, P., Van Bueren, A. L., & Walker, J. (2006). Chief executive officer remuneration disclosure quality: corporate responses to an evolving disclosure environment. *Accounting & Finance, 46*(5), 771-796. doi:10.1111/j.1467-629X.2006.00197.x

Core, J. E. (2001). A review of the empirical disclosure literature: discussion. *Journal of Accounting and Economics, 31*, 441-456.

Core, J. E., Guay, W. R., & Rusticus, T. O. (2006). Does Weak Governance Cause Weak Stock Returns? An Examination of Firm Operating Performance and Investors' Expectations. *The Journal of Finance, 61*(2), 655-687. doi:10.1111/j.1540-6261.2006.00851.x

Cormier, D., Ledoux, M.-J., & Magnan, M. (2009). The use of Web sites as a disclosure platform for corporate performance. *International Journal of Accounting Information Systems, 10*(1), 1-24. doi:10.1016/j.accinf.2008.04.002

Cotter, J., Lokman, N., & Najah, M. M. (2011). Voluntary disclosure research: Which theory is relevant? *The Journal of Theoretical Accounting Research, 6*(2), 77-95. doi:10.2307/1879431

Craven, B. M., & Marston, C. L. (1999). Financial reporting on the Internet by leading UK companies. *European Accounting Review, 8*(2), 321-333. doi:10.1080/096381899336069

Crosby, M. (2016). China's rise and its impact on South East Asian businesses. In P. Verhezen, I. Williamson, M. Crosby, & N. Soebagjo (Eds.), *Doing business in ASEAN markets* (pp. 65-72). Sydney: Palgrave Macmillan.

Daniel, W. E. (2003). Corporate Governance in Indonesian Listed Companies - A Problem of Legal Transplant. *Bond Law Review, 15*(1), 345-375.

Darmadi, S. (2013). Corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks. *Humanomics, 29*(1), 4-23. doi:10.1108/08288661311299295

Darmi, R., & Albion, P. (2013). *English language in the Malaysian education system: its existence and implications.* Paper presented at the 3rd Malaysian Postgraduate Conference, Sydney.
Das, D. K. (2001). Corporate governance and restructuring: a post-crisis Asian perspective. *The Asia Pacific Journal of Economics & Business, 5*(1), 4-25,147.
Davis, G. F. (2005). New Directions in Corporate Governance. *Annual Review of Sociology, 31*, 143-162. doi:10.1146/annurev.soc.31.041304.122249
DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics, 3*(3), 183-199. doi:10.1016/0165-4101(81)90002-1
Dearden, S. (2003). The challenge to corruption and the international business environment. In J. B. Kidd & F.-J. Richter (Eds.), *Corruption and governance in Asia* (pp. 27-42). New York: Palgrave Macmillan.
Debreceny, R., & Gray, G. L. (1999). Financial reporting on the Internet and the external audit. *European Accounting Review, 8*(2), 335-350. doi:10.1080/096381899336078
Debreceny, R., Gray, G. L., & Rahman, A. (2002). The determinants of Internet financial reporting. *Journal of Accounting and Public Policy, 21*, 371-394.
dela Rama, M., Volonte, C., & Zaby, S. (2014). Corporate Governance in the Philippines and Switzerland—A Comparison of the Institutional Environment and Practices. In S. Boubaker & D. K. Nguyen (Eds.), *Corporate Governance in Emerging Markets: Theories, Practices and Cases*. Berlin: Springer-Verlag.
Dick, H. (2016). Negotiating better governance: jusridictional arbitrage within ASEAN. In P. Verhezen, I. Williamson, M. Crosby, & N. Soebagjo (Eds.), *Doing business in ASEAN markets* (pp. 29-44). Sydney: Palgrave Macmillan.
Dillard, J. F., Rigsby, J. T., & Goodman, C. (2004). The making and remaking of organization context: Duality and the institutionalization process. *Accounting, Auditing & Accountability Journal, 17*(4), 506-542. doi:10.1108/09513570410554542
DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review, 48*(2), 147-160. doi:10.2307/2095101
DiMaggio, P. J., & Powell, W. W. (1991). The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. In P. J. DiMaggio & W. W. Powell (Eds.), *The New Institutionalism in Organizational Analysis* (pp. 63-82). Chicago: University of Chicago Press.
Ding, S., Jia, C., Wu, Z., & Zhang, X. (2014). Executive political connections and firm performance: Comparative evidence from privately-controlled and state-owned enterprises. *International Review of Financial Analysis, 36*, 153-167. doi:10.1016/j.irfa.2013.12.006
Djelic, M.-L., & Quack, S. (2003). Theoretical Building Blocks for a Research Agenda Linking Globalization and Institutions In M.-L. Djelic & S. Quack (Eds.), *Globalization and Institutions: Redefining the Rules of the Economic Game* (pp. 15-34). Cheltenham: Edward Elgar.
du Plessis, J. J., Hargovan, A., & Bagaric, M. (2011). *Principles of Contemporary Corporate Governance* (2nd ed.). Cambridge: Cambridge University Press.
Dunne, T., Helliar, C., Lymer, A., & Mousa, R. (2013). Stakeholder engagement in internet financial reporting: The diffusion of XBRL in the UK. *The British Accounting Review, 45*(3), 167-182. doi:10.1016/j.bar.2013.06.012
Durnev, A., & Kim, E. H. (2005). To Steal or Not to Steal: Firm Attributes, Legal Environment, and Valuation. *The Journal of Finance, 60*(3), 1461-1493. doi:10.2307/3694932

Dutu, R. (2016). Why has economic growth slowed down in Indonesia? An investigation into the Indonesian business cycle using an estimated DSGE model. *Journal of Asian Economics, 45*, 46-55. doi:10.1016/j.asieco.2016.06.003

Dye, R. A. (1990). Mandatory versus Voluntary Disclosures: The Cases of Financial and Real Externalities. *The Accounting Review, 65*(1), 1-24.

Dye, R. A. (2001). An evaluation of ‘‘essays on disclosure’’ and the disclosure literature in accounting. *Journal of Accounting and Economics, 32*, 181-235.

Eccles, R. G., & Mavrinac, S. C. (1995). Improving the Corporate Disclosure Process. *Sloan Management Review, 36*(4), 11-25.

Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. *Journal of Accounting and Public Policy, 22*(4), 325-345. doi:10.1016/s0278-4254(03)00037-1

Ettredge, M., Richardson, V. J., & Scholz, S. (2001). The presentation of financial information at corporate Web sites. *International Journal of Accounting Information Systems, 2*(3), 149-168. doi:10.1016/S1467-0895(00)00017-8

Farvaque, E., Refait-Alexandre, C., & Saïdane, D. (2011). Corporate disclosure: a review of its (direct and indirect) benefits and costs. *International Economics, 128*, 5-31. doi:10.1016/s2110-7017(13)60001-3

Fauver, L., & Fuerst, M. E. (2006). Does good corporate governance include employee representation? Evidence from German corporate boards. *Journal of Financial Economics, 82*(3), 673-710. doi:10.1016/j.jfineco.2005.10.005

Ferguson, M. J., Lam, K. C. K., & Lee, G. M. (2002). Voluntary Disclosure by State-owned Enterprises Listed on the Stock Exchange of Hong Kong. *Journal of International Financial Management & Accounting, 13*(2), 125-152. doi:10.1111/1467-646X.00081

Fernández-Alles, M. d. l. l., & Valle-Cabrera, R. (2006). Reconciling institutional theory with organizational theories: How neoinstitutionalism resolves five paradoxes. *Journal of Organizational Change Management, 19*(4), 503-517. doi:10.1108/09534810610676699

Filatotchev, I., & Nakajima, C. (2010). Internal and External Corporate Governance: An Interface between an Organization and its Environment. *British Journal of Management, 21*(3), 591-606. doi:10.1111/j.1467-8551.2010.00712.x

Finance Committee on Corporate Governance. (2000). Malaysian code on corporate governance. Kuala Lumpur: Finance Committee on Corporate Governance.

Financial Reporting Council. (2014). The UK Corporate Governance Code. London: Financial Reporting Council.

Fukuoka, Y., & Djani, L. (2016). Revisiting the rise of Jokowi. *South East Asia Research, 24*(2), 204-221. doi:10.1177/0967828X16649044

Fukuoka, Y., & Thalang, C. n. (2014). The legislative and presidential elections in Indonesia in 2014. *Electoral Studies, 36*, 230-235. doi:http://doi.org/10.1016/j.electstud.2014.09.007

Gallery, G., Cooper, E., & Sweeting, J. (2008). Corporate Disclosure Quality: Lessons from Australian Companies on the Impact of Adopting International Financial Reporting Standards. *Australian Accounting Review, 18*(3), 257-273. doi:10.1111/j.1835-2561.2008.0030.x

Gan, C. (2003). Poor corporate governance, market discipline and cronyism in the 1997 Asian crisis. In J. B. Kidd & F.-J. Richter (Eds.), *Corruption and governance in Asia* (pp. 43-60). New York: Palgrave MacMillan.

Gandía, J. L. (2008). Determinants of internet-based corporate governance disclosure by Spanish listed companies. *Online Information Review, 32*(6), 791-817. doi:10.1108/14684520810923944

Geletkanycz, M. A. (1997). The salience of 'culture's consequences': The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal, 18*(8), 615-634.

Ghazali, N. A. M. (2008). Voluntary disclosure in Malaysian corporate annual reports: views of stakeholders. *Social Responsibility Journal, 4*(4), 504-516. doi:10.1108/17471110810909902

Ghazali, N. A. M., & Weetman, P. (2006). Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis. *Journal of International Accounting, Auditing and Taxation, 15*(2), 226-248. doi:10.1016/j.intaccaudtax.2006.08.001

Gillan, S. L. (2006). Recent Developments in Corporate Governance: An Overview. *Journal of Corporate Finance, 12*(3), 381-402. doi:10.1016/j.jcorpfin.2005.11.002

Gilson, R. J. (2006). Controlling shareholders and corporate governance: Complicating the comparative taxonomy. *Harvard Law Review, 119*(6), 1641-1679.

Gisbert, A., & Navallas, B. (2013). The association between voluntary disclosure and corporate governance in the presence of severe agency conflicts. *Advances in Accounting, 29*(2), 286-298. doi:10.1016/j.adiac.2013.07.001

Globerman, S., Peng, M., & Shapiro, D. (2011). Corporate governance and Asian companies. *Asia Pacific Journal of Management, 28*(1), 1-14. doi:10.1007/s10490-010-9240-6

Gomez, E. T. (2004). Paradoxes of governance: ownership and control of corporate Malaysia. In F. A. Gul & J. S. L. Tsui (Eds.), *The governance of East Asian corporations* (pp. 117-137). New York: Palgrave Macmillan.

Grace, M., Ireland, A., & Dunstan, K. (1995). Board Composition, Non-Executive Directors' Characteristics and Corporate Financial Performance. *Asia-Pacific Journal of Accounting, 2*(1), 121-137. doi:10.1080/10293574.1995.10510481

Gray, S. J. (1988). Towards a Theory of Cultural on the Development of Accounting Influence Systems Internationally. *Abacus, 24*(1), 1-15.

Gray, S. J., & Vint, H. M. (1995). The impact of culture on accounting disclosures: some international evidence. *Asia-Pacific Journal of Accounting, 2*(1), 33-43.

Gugler, K., Mueller, D. C., & Yurtoglu, B. B. (2004). Marginal q, Tobin's q, Cash Flow, and Investment. *Southern Economic Journal, 70*(3), 512-531.

Gujarati, D., & Porter, D. (2009). *Basic Econometrics* (5th ed.). Boston: McGraw-Hill.

Gul, F. A., & Leung, S. (2004). Board leadership, outside directors' expertise and voluntary corporate disclosures. *Journal of Accounting and Public Policy, 23*(5), 351-379. doi:10.1016/j.jaccpubpol.2004.07.001

Gul, F. A., & Tsui, J. S. L. (2004). Introduction and overview. In F. A. Gul & J. S. L. Tsui (Eds.), *The governance of East Asian corporations* (pp. 1-26). New York: Palgrave Macmillan.

Guthrie, J. (2007, Oct). The death of the annual report. *Keeping Good Companies, 59,* 518-521.

Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *The Academy of Management Review, 9*(2), 193-206. doi:10.2307/258434

Haniffa, R. M., & Cooke, T. E. (2002). Culture, Corporate Governance and Disclosure in Malaysian Corporations. *Abacus, 38*(3), 317-349. doi:10.1111/1467-6281.00112

Hassan, S., Jaffar, N., Johl, S. K., & Zain, M. N. M. (1999). Financial Reporting on The Internet By Malaysian Companies: Perceptions And Practices. *Asia-Pacific Journal of Accounting, 6*(2), 299-319. doi:10.1080/10293574.1999.10510567

Hawksworth, J., & Chan, D. (2015). *The World in 2050: will the shift in global economic power continue?* London: PricewaterhouseCoopers.

Healy, P. M., Hutton, A. P., & Palepu, K. G. (1999). Stock performance and intermediation changes surrounding sustained increases in disclosure. *Contemporary accounting research, 16*(3), 485-520.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics, 31*, 405-440.

Heidhues, E., & Patel, C. (2011). A critique of Gray's framework on accounting values using Germany as a case study. *Critical Perspectives on Accounting, 22*(3), 273-287. doi:10.1016/j.cpa.2010.08.002

Hermalin, B. E., & Weisbach, M. S. (2012). Information disclosure and corporate governance. *The Journal of Finance, 67*(1), 195-233.

Hillman, A. J., & Dalziel, T. (2003). Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives. *Academy of Management Review, 28*(3), 383-396. doi:10.5465/AMR.2003.10196729

Ho, S. S. M., & Wong, K. S. (2001). A study of the relationship between corporate governance structures and the extent of voluntary disclosure. *Journal of International Accounting, Auditing & Taxation, 10*, 139-156.

Ho, Y., & Salna, K. (2016). Indonesia's Outlook Changed to Positive From Stable at Fitch. Retrieved from https://www.bloomberg.com/news/articles/2016-12-21/indonesia-s-outlook-changed-to-positive-from-stable-at-fitch

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*: Sage Publications, Inc.

Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and organizations: software of the mind: 3rd edition*: McGraw-Hill Professional.

Hooker, V. M. (2003). *Short history of Malaysia: linking east and west*. Crows Nest: Allen & Unwin.

Hope, O.-K. (2003). Firm-level Disclosures and the Relative Roles of Culture and Legal Origin. *Journal of International Financial Management and Accounting, 14*(3), 218-248.

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Socities*. Thousand Oaks: SAGE Publications.

Huafang, X., & Jianguo, Y. (2007). Ownership structure, board composition and corporate voluntary disclosure. *Managerial Auditing Journal, 22*(6), 604-619. doi:10.1108/02686900710759406

Hutcheson, G. D., & Sofroniou, N. (1999). *The Multivariate Social Scientist*. London: Sage.

Hutton, A. P. (2007). A discussion of 'corporate disclosure by family firms'. *Journal of Accounting and Economics, 44*(1–2), 287-297. doi:10.1016/j.jacceco.2007.01.004

Inchausti, B. G. (1997). The influence of company characteristics and accounting regulation on information disclosed by Spanish firms. *European Accounting Review, 6*(1), 45-68. doi:10.1080/096381897336863

Indonesian Financial Services Authority. (2015a). Corporate governance of publicly listed companies (Vol. 32 /SEOJK.04/2015). Jakarta: Indonesian Financial Services Authority.

Indonesian Financial Services Authority. (2015b). Website of publicly listed companies (Vol. 8/POJK.04/2015). Jakarta: Indonesian Financial Services Authority.

Ingram, P., & Simons, T. (1995). Institutional and Resource Dependence Determinants of Responsiveness to Work-Family Issues. *The Academy of Management Journal, 38*(5), 1466-1482. doi:10.2307/256866

Islam, M. A., & Deegan, C. (2008). Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh. *Accounting, Auditing & Accountability Journal, 21*(6), 850-874. doi:10.1108/09513570810893272

Islam, M. F. (2001). The asian five: From financial crisis to economic recovery. In J. J. Choi (Ed.), *Asian Financial Crisis Financial, Structural and International Dimensions* (pp. 123-146). Bingley: Emerald Group Publishing Limited.

Jackowicz, K., & Kowalewski, O. (2012). Crisis, internal governance mechanisms and pension fund performance: Evidence from Poland. *Emerging Markets Review, 13*(4), 493-515. doi:10.1016/j.ememar.2012.07.006

Jaggi, B., & Low, P. Y. (2000). Impact of Culture, Market Forces, and Legal System on Financial Disclosures. *The International Journal of Accounting, 35*(4), 495-519.

Jaswadi. (2013). *Corporate governance and accounting irregularities: evidence from two-tier board structure in Indonesia.* (Doctor of Business Administration Thesis), Victoria University, Melbourne.

Jennings, P. D., & Zandbergen, P. A. (1995). Ecologically Sustainable Organizations: An Institutional Approach. *Academy of Management Review, 20*(4), 1015-1052. doi:10.5465/AMR.1995.9512280034

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360. doi:10.1016/0304-405X(76)90026-X

Jiang, Y., & Peng, M. W. (2011). Are family ownership and control in large firms good, bad, or irrelevant? *Asia Pacific Journal of Management, 28*(1), 15-39. doi:10.1007/s10490-010-9228-2

Jiang, Y., Raghupathi, V., & Raghupathi, W. (2009). Web-Based Corporate Governance Information Disclosure: An Empirical Investigation. *Information Resources Management Journal, 22*(2), 50-68.

Jiraporn, P., Chatjuthamard, P., Tong, S., & Kim, Y. S. (2015). Does corporate governance influence corporate risk-taking? Evidence from the Institutional Shareholders Services (ISS). *Finance Research Letters, 13*, 105-112. doi:10.1016/j.frl.2015.02.007

Johnson, S., Boone, P., Breach, A., & Friedman, E. (2000). Corporate governance in the Asian financial crisis. *Journal of Financial Economics, 58*(1–2), 141-186. doi:10.1016/S0304-405X(00)00069-6

Juwana, H., Ariadno, M. K., Lotulung, P. E., Nugroho, S. A., Hutagalung, A. S., Uwiyono, A., . . . Baiton, R. A. (Eds.). (2005). *Indonesian Legal System*. Manila: ASEAN Law Association.

Kang, H., & Gray, S. J. (2011). The Content of Voluntary Intangible Asset Disclosures: Evidence from Emerging Market Companies. *Journal of International Accounting Research, 10*(1), 109-125.

Keim, G. (2003). Nongovernmental organizations and business-government relations: The importance of institutions. In J. P. Doh & H. Teegen (Eds.), *Globalization and NGOs: Transforming business, governments, and society*. Westport: Praeger.

Khandker, S. R., Koolwal, G. B., & Samad, H. A. (2010). *Handbook on impact evaluation: quantitative methods and practices*. Washington: The World Bank.

Khanna, T. (2000). Business groups and social welfare in emerging markets: Existing evidence and unanswered questions. *European Economic Review, 44*(4–6), 748-761. doi:10.1016/S0014-2921(99)00059-8

Kidd, J. B., & Richter, F.-J. (2003). The 'oppression' of governance? In J. B. Kidd & F.-J. Richter (Eds.), *Corruption and governance in Asia* (pp. 1-26). New York: Palgrave Macmillan.

Kim, E. H., & Lu, Y. (2013). Corporate governance reforms around the world and cross-border acquisitions. *Journal of Corporate Finance, 22*, 236-253. doi:10.1016/j.jcorpfin.2013.05.005

Kingsbury, D. (2015). Jokowi's Indonesia. *United Service, 66*(3), 13-16.

Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance, 10*(5), 703-728. doi:10.1016/S0929-1199(03)00046-4

Kline, R. B. (2005). *Principles and practice of structural equation modeling* (2 ed.). New York: Guilford Press.

Kothari, S. P. (2000). The role of financial reporting in reducing financial risks in the market. *Federal Reserve Bank of Boston. Conference Series*(44), 89-102.

La Porta, R., Lopez de Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and Finance. *Journal of Political Economy, 106*(6), 1113-1155. doi:10.1086/250042

Laiman, A. D., Reni, D. S., Lengkong, R., & Ardiyanto, S. (2015). The Indonesian legal system and legal research. Retrieved from http://www.nyulawglobal.org/globalex/Indonesia1.html

Lang, M., & Lundholm, R. (1993). Cross-Sectional Determinants of Analyst Ratings of Corporate Disclosures. *Journal of Accounting Research, 31*(2), 246-271. doi:10.2307/2491273

Lausten, M. (2002). CEO turnover, firm performance and corporate governance: empirical evidence on Danish firms. *International Journal of Industrial Organization, 20*(3), 391-414. doi:10.1016/S0167-7187(00)00083-7

Leftwich, R. W., Watts, R. L., & Zimmerman, J. L. (1981). Voluntary Corporate Disclosure: The Case of Interim Reporting. *Journal of Accounting Research, 19*, 50-77. doi:10.2307/2490984

Leuz, C., & Wysocki, P. D. (2016). The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research. *Journal of Accounting Research, 54*(2), 525-622. doi:10.1111/1475-679X.12115

Lev, B. (1992). Information Disclosure Strategy. *California Management Review, 34*(4), 9-32.

Lin, Z. J., & Liu, M. (2009). The impact of corporate governance on auditor choice: Evidence from China. *Journal of International Accounting, Auditing and Taxation, 18*(1), 44-59. doi:10.1016/j.intaccaudtax.2008.12.005

Liow, J. C. (2005). *The politics of Indonesia-Malaysia relations: one kin, two nations*. Abingdon: RoutledgeCurzon.

Lodhia, S. (2014). Factors influencing the use of the World Wide Web for sustainability communication: an Australian mining perspective. *Journal of Cleaner Production, 84*, 142-154. doi:10.1016/j.jclepro.2014.08.085

Lodhia, S., Allam, A., & Lymer, A. (2004). Corporate reporting on the internet in Australia: an exploratory study. *Australian Accounting Review, 14*(3), 64-71.

Maddison, A. (1989). Dutch Income in and from Indonesia 1700–1938. *Modern Asian Studies, 23*(4), 645-670. doi:10.1017/S0026749X00010155

Mahoney, J., & Thelen, K. (2010). A theory of gradual institutional change. In J. Mahoney & K. Thelen (Eds.), *Explaining institutional change: Ambiguity, agency, and power* (pp. 1-37). New York: Cambridge University Press.

Maksum, A., & Bustami, R. (2013). The 1965 coup and reformasi 1998: two critical moments in Indonesia-Malaysia relations during and after the Cold War. *Springer Plus, 3*(45), 1-9. doi:10.1186/2193-1801-3-45

Mallin, C. A. (2013). *Corporate Governance* (4th ed.). Oxford: Oxford University Press.

Martínez, J. B., Fernández, M. L., & Fernández, P. M. R. (2016). Corporate social responsibility: Evolution through institutional and stakeholder perspectives. *European Journal of Management and Business Economics, 25*(1), 8-14. doi:10.1016/j.redee.2015.11.002

Martynova, M., & Renneboog, L. (2011). Evidence on the international evolution and convergence of corporate governance regulations. *Journal of Corporate Finance, 17*(5), 1531-1557. doi:10.1016/j.jcorpfin.2011.08.006

Meek, G. K., Roberts, C. B., & Gray, S. J. (1995). Factors Influencing Voluntary Annual Report Disclosures by U.S., U.K. and Continental European Multinational Corporations. *Journal of International Business Studies, 26*(3), 555-572. doi:10.2307/155561

Megginson, W. L., Nash, R. C., Netter, J. M., & Poulsen, A. B. (2004). The Choice of Private Versus Public Capital Markets: Evidence from Privatizations. *The Journal of Finance, 59*(6), 2835-2870. doi:10.1111/j.1540-6261.2004.00718.x

Menon, J. (2009). Macroeconomic management amid ethnic diversity: Fifty years of Malaysian experience. *Journal of Asian Economics, 20*(1), 25-33. doi:10.1016/j.asieco.2008.05.005

Merchant, K. A., Chow, C. W., & Wu, A. (1995). Measurement, evaluation and reward of profit center managers: A cross-cultural field study. *Accounting, Organizations and Society, 20*(7–8), 619-638. doi:10.1016/0361-3682(95)00021-Z

Mietzner, M. (2015). Jokowi's Challenge: The Structural Problems of Governance in Democratic Indonesia. *Governance, 28*(1), 1-3. doi:10.1111/gove.12131

Miglani, S., Ahmed, K., & Henry, D. (2015). Voluntary corporate governance structure and financial distress: Evidence from Australia. *Journal of Contemporary Accounting & Economics, 11*(1), 18-30. doi:10.1016/j.jcae.2014.12.005

Millar, C. C., Eldomiaty, T. I., Choi, C. J., & Hilton, B. (2005). Corporate Governance and Institutional Transparency in Emerging Markets. *Journal of Business Ethics, 59*(1), 163-174. doi:10.1007/s10551-005-3412-1

Minichilli, A., Zattoni, A., Nielsen, S., & Huse, M. (2012). Board task performance: An exploration of micro- and macro-level determinants of board effectiveness. *Journal of Organizational Behavior, 33*(2), 193-215. doi:10.1002/job.743

Mitton, T. (2002). A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis. *Journal of Financial Economics, 64*(2), 215-241. doi:10.1016/S0304-405X(02)00076-4

Mohamad, M. b. (1991). Malaysian: the way forward (Vision 2020). http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan003223.pdf

Monks, R. A. G. (2001). Redesigning Corporate Governance Structures and Systems for the Twenty First Century. *Corporate Governance: An International Review, 9*(3), 142-147. doi:10.1111/1467-8683.00241

Muhtadi, B. (2015). Jokowi's First Year: A Weak President Caught between Reform and Oligarchic Politics. *Bulletin of Indonesian Economic Studies, 51*(3), 349-368. doi:10.1080/00074918.2015.1110684

Munisi, G., & Randøy, T. (2013). Corporate governance and company performance across Sub-Saharan African countries. *Journal of Economics and Business, 70*, 92-110. doi:10.1016/j.jeconbus.2013.08.003

National Committee on Governance. (2006). Code of Good Corporate Governance. Jakarta: National Committee on Governance.
Nickerson, R. S. (2000). Null Hypothesis Significance Testing: A Review of an Old and Continuing Controversy. *Psychological Methods, 5*(2), 241-301. doi:10.1037/1082-989X.5.2.241
Nielsen, C., Roslender, R., & Schaper, S. (2016). Continuities in the use of the intellectual capital statement approach: Elements of an institutional theory analysis. *Accounting Forum, 40*(1), 16-28. doi:10.1016/j.accfor.2015.11.002
Noordin, S. M., & Supramaniam, S. (2016). An overview of Malaysian legal system and research. Retrieved from http://www.nyulawglobal.org/globalex/about.html
Ntim, C. G., Opong, K. K., & Danbolt, J. (2012). The Relative Value Relevance of Shareholder versus Stakeholder Corporate Governance Disclosure Policy Reforms in South Africa. *Corporate Governance: An International Review, 20*(1), 84-105. doi:10.1111/j.1467-8683.2011.00891.x
NYSE. (2009). NYSE Listed Company Manual Section 303A.09 Corporate Governance Guidelines. New York: NYSE.
NYSE. (2010). NYSE Listed Company Manual Section 303A Corporate Governance Standards Frequently Asked Questions. New York: NYSE.
Oberman, R., Dobbs, R., Budiman, A., Thompson, F., & Rosse, M. (2012). *The archipelago economy: unleashing Indonesia's potential*. Jakarta: McKinsey & Company.
OECD. (1999). OECD Principles of Corporate Governance. Paris: OECD.
OECD. (2001). *Corporate Governance in Asia: a comparative perspective*. Retrieved from Paris:
OECD. (2004). OECD Principles of Corporate Governance. Paris: OECD.
OECD. (2011). *Better policies for better lives: the OECD at 50 and beyond*. Paris: OECD.
OECD. (2014). *Corporate governance in Asia*. Paris: OECD.
OECD. (2015). G20/OECD Principles of Corporate Governance. Paris: OECD.
Oliver, C. (1997). Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views. *Strategic Management Journal, 18*(9), 697-713. doi:10.2307/3088134
Owusu-Ansah, S. (1998). The impact of corporate attribites on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting, 33*(5), 605-631. doi:10.1016/S0020-7063(98)90015-2
Palenberg, M., Reinicke, W., & Witte, J. M. (2006). *Trends in non-financial reporting*. Berlin: Global Public Policy Institute.
Park, J.-B. (2016). The Contradictions and Impacts of Jokowi Administration's Economic Policies in Indonesia. *Southeast Asia Journal, 25*(3), 139-164. doi:10.21485/hufsea.2016.25.3.005
Pirchegger, B., & Wagenhofer, A. (1999). Financial information on the Internet: a survey of the homepages of Austrian companies. *European Accounting Review, 8*(2), 383-395. doi:10.1080/096381899336113
Pohlman, A. (2010). *Indonesia and Post-New Order Reforms: Challenges and Opportunities for Promoting the Responsibility to Protect*. Brisbane: Asia-Pacific Centre for the Responsibility to Protect.
Powell, W. W., & DiMaggio, P. J. (Eds.). (2012). *The New Institutionalism in Organizational Analysis*. Chicago: The University of Chicago Press.
Puthucheary, J. J. (1960). *Ownership and control in the Malayan economy*. Singapore: Eastern Universities Press.

Rahaman, A. S., Lawrence, S., & Roper, J. (2004). Social and environmental reporting at the VRA: institutionalised legitimacy or legitimation crisis? *Critical Perspectives on Accounting, 15*(1), 35-56. doi:10.1016/S1045-2354(03)00005-4

Reeb, D. M., & Zhao, W. (2013). Director capital and corporate disclosure quality. *Journal of Accounting and Public Policy, 32*(4), 191-212. doi:10.1016/j.jaccpubpol.2012.11.003

Salim, M. R. (2011). Corporate governance in Malaysia: the macro and micro issues. In C. A. Mallin (Ed.), *Handbook on International Corporate Governance: Country Analyses* (2nd ed., pp. 269-296). Cheltenham: Edward Elgar.

Salna, K. (2017). Indonesia Raised to Investment Grade by S&P on Budget Curbs. Retrieved from https://www.bloomberg.com/news/articles/2017-05-19/s-p-upgrades-indonesia-to-investment-grade-amid-stronger-growth

Samaha, K., Dahawy, K., Hussainey, K., & Stapleton, P. (2012). The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt. *Advances in Accounting, 28*(1), 168-178. doi:10.1016/j.adiac.2011.12.001

Sawicki, J. (2009). Corporate governance and dividend policy in Southeast Asia pre- and post-crisis. *The European Journal of Finance, 15*(2), 211-230. doi:10.1080/13518470802604440

Schultz, F., & Wehmeier, S. (2010). Institutionalization of corporate social responsibility within corporate communications: Combining institutional, sensemaking and communication perspectives. *Corporate Communications: An International Journal, 15*(1), 9-29. doi:10.1108/13563281011016813

Securities Commission Malaysia. (2012). Malaysian Code on Corporate Governance 2012. Kuala Lumpur: Securities Commission Malaysia.

Sharma, N. (2014). Extent of corporate governance disclosure by banks and finance companies listed on Nepal Stock Exchange. *Advances in Accounting, 30*(2), 425-439. doi:10.1016/j.adiac.2014.09.014

Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance. *The Journal of Finance, 52*(2), 737-783. doi:10.1111/j.1540-6261.1997.tb04820.x

Shleifer, A., & Vishny, R. W. (2002). *The grabbing hand: Government pathologies and their cures*: Harvard University Press.

Singam, K. (2003). Corporate Governance in Malaysia. *Bond Law Review, 15*(1), 314-344.

Singhvi, S. S., & Desai, H. B. (1971). An Empirical Analysis of the Quality of Corporate Financial Disclosure. *The Accounting Review, 46*(1), 129-138.

Siregar, S. V., & Utama, S. (2008). Type of earnings management and the effect of ownership structure, firm size, and corporate-governance practices: Evidence from Indonesia. *The International Journal of Accounting, 43*(1), 1-27. doi:10.1016/j.intacc.2008.01.001

Smith, A. (1827). *An inquiry into the nature and causes of the wealth of nations*. Edinburgh: University Press.

Snyder, L. (2007). Filling a position of corporate governance in France: a practical introduction. *Corporate Governance: The international journal of business in society, 7*(3), 238-250. doi:10.1108/14720700710756526

Stanny, E., & Ely, K. (2008). Corporate environmental disclosures about the effects of climate change. *Corporate Social Responsibility and Environmental Management, 15*(6), 338-348. doi:10.1002/csr.175

Stephen, J. (2013). English in Malaysia: A case of the past that never really went away. *English Today, 29*(2), 3-8.

Stewart, J., Asha, F., Shulman, A., Ng, C., & Subramaniam, N. (2012). Governance Disclosure on the Internet: The Case of Australian State Government Departments.

Australian Journal of Public Administration, 71(4), 440-456. doi:10.1111/j.1467-8500.2012.00789.x
Sudarwan, M., & Fogarty, T. J. (1996). Culture and accounting in Indonesia: An empirical examination. *The International Journal of Accounting, 31*(4), 463-481. doi:10.1016/S0020-7063(96)90032-1
Sukoharsono, E. G., & Gaffikin, M. J. R. (1993). The genesis of accounting in Indonesia: the Dutch colonialism in the early 17th century. *The Indonesian Journal of Accounting and Business Society, 1*(1), 4-26.
Suroyo, G. (2017). Moody's raises Indonesia outlook, top minister takes a dig at S&P. Retrieved from http://www.cnbc.com/2017/02/09/reuters-america-update-1-moodys-raises-indonesia-outlook-top-minister-takes-a-dig-at-sp.html
Suryadinata, L. (1984). *Dilema minoritas Tionghoa*. Jakarta: Grafitipers.
Tabachnick, B. G., & Fidell, L. S. (2013). *Using Multivariate Statistics* (6 ed.). Boston: Pearson.
Tambunan, T. T. H. (2013) Inward FDI in Indonesia and its policy context, 2013. *Columbia FDI Profiles*. New York: Vale Columbia Center on Sustainable International Investment.
Tapsell, R. (2015). Indonesia's media oligarchy and the "Jokowi phenomenon". *Indonesia, 99*(April 2015), 29-50. doi:10.5728/indonesia.99.0029
The Capital Market and Financial Institution Supervisory Agency. (2012). Annual report submission of publicly listed companies (Vol. KEP-431/BL/2012). Jakarta: The Capital Market and Financial Institution Supervisory Agency.
Tian, L., & Estrin, S. (2008). Retained state shareholding in Chinese PLCs: Does government ownership always reduce corporate value? *Journal of Comparative Economics, 36*(1), 74-89. doi:10.1016/j.jce.2007.10.003
Tricker, R. I. (2009). *Corporate Governance: Principles, Policies and Practices*. Oxford: Oxford University Press.
Tricker, R. I. (2012). The Evolution of Corporate Governance. In T. Clarke & D. Branson (Eds.), *The SAGE Handbook of Corporate Governance* (pp. 39-61). London: SAGE Publications Ltd.
UNCTAD. (2006). Guidance on good practices in corporate governance disclosure. New York and Geneva: United Nations.
UNCTAD. (2011). Corporate governance disclosure in emerging markets. New York and Geneva: United Nations.
Van Veen, K., & Elbertsen, J. (2008). Governance Regimes and Nationality Diversity in Corporate Boards: A Comparative Study of Germany, the Netherlands and the United Kingdom. *Corporate Governance: An International Review, 16*(5), 386-399. doi:10.1111/j.1467-8683.2008.00698.x
Verhezen, P., & Abeng, T. (2016). Indonesian State-Owned Enterprises: boards that govern and lead. In P. Verhezen, I. Williamson, M. Crosby, & N. Soebagjo (Eds.), *Doing business in ASEAN markets* (pp. 137-158). Sydney: Palgrave Macmillan.
Verhezen, P., Soebagjo, N., & Hardjapamekas, E. R. (2016). Institutions and leadership really matter: the interdependency of public and corporate governance in Indonesia. In P. Verhezen, I. Williamson, M. Crosby, & N. Soebagjo (Eds.), *Doing business in ASEAN markets* (pp. 109-136). Sydney: Palgrave Macmillan.
Verhezen, P., Williamson, I., Soebagjo, N., & Crosby, M. (2016). Introduction: doing business in ASEAN markets: what is so different? In P. Verhezen, I. Williamson, M. Crosby, & N. Soebagjo (Eds.), *Doing business in ASEAN markets* (pp. 1-15). Sydney: Palgrave Macmillan.

Verrecchia, R. E. (1983). Discretionary disclosure. *Journal of Accounting and Economics, 5*, 179-194. doi:10.1016/0165-4101(83)90011-3

Verrecchia, R. E. (2001). Essays on disclosure. *Journal of Accounting and Economics, 32*, 97-180.

Wagenhofer, A. (2003). Economic consequences of internet financial reporting. *Schmalenbach Business Review, 55*, 262-279.

Wallace, R. S. O., Naser, K., & Mora, A. (1994). The Relationship Between the Comprehensiveness of Corporate Annual Reports and Firm Characteristics in Spain. *Accounting and Business Research, 25*(97), 41-53. doi:10.1080/00014788.1994.9729927

Warburton, E. (2016). Jokowi and the New Developmentalism. *Bulletin of Indonesian Economic Studies, 52*(3), 297-320. doi:10.1080/00074918.2016.1249262

Watts, R. L., & Zimmerman, J. L. (1983). Agency Problems, Auditing, and the Theory of the Firm: Some Evidence. *The Journal of Law and Economics, 26*(3), 613-633. doi:10.1086/467051

Wei, Z., Varela, O., D'Souza, J., & Hassan, M. K. (2003). The Financial and Operating Performance of China's Newly Privatized Firms. *Financial Management, 32*(2), 107-126. doi:10.2307/3666339

Wulandari, E. R., & Rahman, A. R. (2004). Political patronage, cross-holdings and corporate governance in Indonesia. In F. A. Gul & J. S. L. Tsui (Eds.), *The governance of East Asian corporations* (pp. 71-95). New York: Palgrave Macmillan.

Xiao, J. Z., Jones, M. J., & Lymer, A. (2002). Immediate trends in Internet reporting. *European Accounting Review, 11*(2), 245-275. doi:10.1080/09638180020017087a

Xiao, J. Z., Yang, H., & Chow, C. W. (2004). The determinants and characteristics of voluntary Internet-based disclosures by listed Chinese companies. *Journal of Accounting and Public Policy, 23*(3), 191-225. doi:10.1016/j.jaccpubpol.2004.04.002

Yamada, H. (1971). The origins of British colonialization of Malaya with special reference to its tin. *The Developing Economies, 9*(3), 225-245. doi:10.1111/j.1746-1049.1971.tb00471.x

Yazid, M. N. M. (2014). Colonial Policy and the Impact to the Politico-Economy Stability after Independence: The case of Indonesia under the Dutch and Malaysia under the British. *Review of History and Political Science, 2*(3 & 4), 69-84. doi:10.15640/rhps.v2n3-4a4

Yeh, Y.-H., Lee, T.-S., & Woidtke, T. (2001). Family Control and Corporate Governance: Evidence from Taiwan. *International Review of Finance, 2*(1-2), 21-48. doi:10.1111/1468-2443.00014

Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate Governance in Emerging Economies: A Review of the Principal–Principal Perspective. *Journal of Management Studies, 45*(1), 196-220. doi:10.1111/j.1467-6486.2007.00752.x

Yusuf, A. A., & Sumner, A. (2015). Growth, Poverty, and Inequality under Jokowi. *Bulletin of Indonesian Economic Studies, 51*(3), 323-348. doi:10.1080/00074918.2015.1110685

Zagorchev, A., & Gao, L. (2015). Corporate governance and performance of financial institutions. *Journal of Economics and Business*. doi:10.1016/j.jeconbus.2015.04.004

Zalewska, A. (2014). Challenges of corporate governance: Twenty years after Cadbury, ten years after Sarbanes–Oxley. *Journal of Empirical Finance, 27*, 1-9. doi:10.1016/j.jempfin.2013.12.004

Zeeman, R. (2012). *Colonization and Post-Colonial Democracy Development in Indonesia and Malaysia.* Tilburg University, Tilburg.

Appendix

Exemplar company disclosure from Indonesia and Malaysia

1. Disclosure of qualifications and biographical information on board members

Tonny Kusnadi (aged 67) has been a Commissioner of BCA since June 25, 2003. Prior to joining BCA, he was a Director at PT Cipta Karya Bumi Indah, a property development and construction company, from 2001 to 2002, after previously serving as a Commissioner. His earlier management positions included President Director of PT Sarana Kencana Mulya, an electronic distributor, from 1999 to 2001 and Chief Manager of Corporate Banking for PT Bank Central Asia from 1992 to 1998. He was also a General Manager at PT Tamara Indah, an engineering and general supplier company, from 1988 until 1992 and General Manager at PT Indomobil, a leading Indonesian automotive company, in 1987. He graduated in Mechanical Engineering from the University of Brawijaya, Malang.

Bank Central Asia (Indonesia), page 508

Dato' Frits van Dijk has been a director of the Company since 26 April 2006 as a Non-Independent, Non-Executive Director. He was later re-designated as an Independent, Non-Executive Director on 19 November 2013. He is a member of the Nomination Committee and the Compensation Committee.

He has served the Nestlé group of companies for 41 years, beginning from 1970 as a Sales Representative with Nestlé UK. He has held various senior positions within the Nestlé group of companies in various countries, such as India, the Philippines, Sri Lanka, China and Japan. Dato' was the Chief Operating Officer and subsequently the Market Head of the Company from 1987 until 1995. He has also served as the Market Head of Nestlé Japan, the Chairman and Chief Executive Officer of Nestlé Waters, and the Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East of Nestlé S.A., Switzerland, before retiring at the end of September 2011.

Dato' graduated with a Bachelor's Degree in Economics from the School of Economics, Rotterdam, The Netherlands, and has attended the Executive

Development Programme at the International Institute for Management Development, Lausanne, Switzerland.

In the financial year ended 31 December 2015, Dato' Frits van Dijk has attended four (4) out of the five (5) meetings of the Board of Directors.

Nestlé (Malaysia) Berhad, page 38

2. Disclosure of professional development and training activities

Board of Commissioners Training Program

In the interest of competence improvement, Danamon provides opportunities for Commissioners to participate in training, seminars or workshop, internally or externally provided. In 2016, the participation of members of the Board of Commissioners in training / seminar / workshop programs:

Name	Training Program	Provider	Venue	Date
Ng Kee Choe	-	-	-	-
JB Kristiadi	PSAK 9	KPMG	Jakarta	October 24, 2016
Gan Chee Yen	-	-	-	-
Manggi T Habir	PSAK 9	KPMG	Jakarta	October 24, 2016
Ernest Wong Yuen Weng	-	-	-	-
Made Sukada	PSAK 9	KPMG	Jakarta	October 24, 2016
Emirsyah Satar[1)]	-	-	-	-

[1)] Danamon has accepted resignation of Emirsyah Satar as of February 11, 2017.

Bank Danamon Indonesia, https://www.danamon.co.id/-/media/FILE-PDF-TENTANG-DNMN/PEDOMAN-KERJA-BOD-BOC/ENG/Program-Pelatihan-Dewan-Komisaris_English.pdf

For this Financial Year, the Board also attended conference/training programmes in areas such as economics, regulatory developments, risk management, finance, tax and investment as well as industry-related programmes, facilitated by local and international training providers.

The list of conferences/training programmes attended by the Directors during the Financial Year under review is as follows: …

Tenaga Nasional Berhad (Malaysia), page 112

3. Disclosure of policy on “whistle blower” protection for all employees

Whistleblowing System (SPP)

As a manifested implementation of integrated GCG practices, the whistleblowing system represents the information system which has been developed by the Company for the purpose of facilitating stakeholders in submitting their reports or indications of alleged violations against the Company’s regulations. The reporting process is confidential, anonymous and independent.

Based on Decision Letter of BOD No. 173/SK-BOD/Leg-AOP/XII/2013 regarding the Whistleblowing System of PT Astra Otoparts Tbk, the Company prepares a guideline for whistleblowing system as a main policy. Further, through Decision Letter of BOD No. 174/SK-BOD/Leg-AOP/XII/2013 of Establishment and Appointment of Special Team for Whistleblowing System, the Company establishes and appoints the Whistleblowing Special Team which is directly reporting to BOD.

…

PT Astra Otoparts Tbk (Indonesia), page 159

Whistleblowing Program

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has updated the whistleblowing program during the year which acts as a formal communication channel where all stakeholders can communicate their concerns in cases where the Company’s business conduct is deemed to be contrary to the Company’s common values.

All concerns should be addressed to the Group Head - Internal Audit who will then assess all concerns reported and recommend the appropriate action, and subsequently:

- *Compile all reports received and submit to the Chairman of the AC; and*
- *Report to Management on behalf of the AC the results of the investigation for further action.*

All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

AirAsia Berhad (Malaysia), page 148

4. Disclosure of outside board and management position directorships held by the directors

Jennifer Maki was appointed as Commissioner at the General Meeting of Shareholders on November 3, 2007 and appointed Chairman at the Extraordinary General Meeting on September 25, 2014.
Ms. Maki has been the Executive Director of Base Metals for Vale S.A. since November 2014. Prior to taking her current position, Ms. Maki served as Executive Vice-President and Chief Financial Officer of Base Metals, during which time she was responsible for the overall financial affairs of Vale Canada Limited.

…

PT Vale Indonesia Tbk, page 74

Izzaddin is currently the Group Managing Director/Chief Executive Officer of UEM Group Berhad, a position he held since July 2009. Izzaddin has over 20 years of experience in the fields of investment banking, financial and general management having served in various senior positions at Malaysian International Merchant Bankers Berhad, Malaysian Resources Corporation Berhad and Southern Bank Berhad. Before his current position, he was the Chief Financial Officer/Senior Vice President (Group Finance) of Tenaga Nasional Berhad, a position he held from September 2004 to June 2009.

Axiata (Malaysia), https://www.axiata.com/corporate/board-of-directors/44

5. Disclosure of a code of ethics for all company employees

As the holding company of a group of companies under Indomobil Group, the Company's employees should always behave and act in line with the norms of the company which is the basis of act and conduct between *colleagues, directors and generally with stakeholders. For this purpose the Company has a Code of Ethics functioning as a guide of conduct to materialize the Company's norms according to the principles of good corporate governance in the employees' behavior.*

Attitudes and actions of Indomobil Group's employees basically should reflect the following manners:

1. To serve

2. To respect

3. Caring attitude

In addition, employees of the Company must obey the prevailing rules and regulations.

In integrating the good value into the employees behaviours, the Company has created another guidance besides its code of conduct, which comes in the form of a daily morning briefing namely INDOMOBIL DAILY VALUE COMPASS. This guidance serves as a counselor for the mind, motivation, attitude and behavior of the employees.

PT Indomobil Sukses Internasional Tbk (Indonesia), page 70

The Board has adopted and implemented a Code of Conduct ("Code") which reflects Digi's vision and core values of integrity, respect, trust and openness. It provides a clear direction on conducting business, interacting with the community, government and business partners, and general workplace behaviour. It also includes guidance on disclosure of conflict of interests, maintaining confidentiality and disclosure of information, good practices, internal controls and the duty to report where there is a breach of the Code.

All employees including Board members are required to read and acknowledge the Code. Digi's Ethics and Compliance Officer reports regularly to the ARC on the compliance of the Code by Digi and its employees. …

A copy of the Code is accessible on Digi's website at: www.digi.com.my/aboutus/corporate_overview/governance.do

Digi.Com Berhad (Malaysia), page 60